

Appendix A

Citizen Participation Plan

Citizens are Invited to Participate

The King County Consortium invites its citizens to participate in the planning, implementation and monitoring of its federal housing and community development programs. The activities funded through these programs have made real differences in the lives of citizens throughout King County. By working together with the suburban cities, the County is using these federal funds to improve the quality of life for low- and moderate income people in a variety of ways: restoring rental housing, making repairs for homeowners, improving a center for children with disabilities in Kent, providing safe drinking water in small communities such as Kangley and Selleck, developing self-help housing in Vashon Island, providing emergency housing for homeless families, and providing emergency loans and grants to individuals and families in crisis who are at risk of becoming homeless.

The goals of these programs are to:

- Provide decent, affordable housing
- Establish and maintain livable communities
- Expand economic opportunities for low- and moderate-income (at or below 80% of the area median) residents of the Consortium.

What are the Federal Grant Programs?

King County, on behalf of the Consortium, receives an annual allocation of over \$10 million of federal funds for the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), and Emergency Shelter Grant (ESG) programs from the U.S. Department of Housing and Urban Development (HUD). These funds are awarded annually on a competitive basis. King County is responsible for the overall administration, planning, monitoring and reporting requirements for these HUD programs. King County also administers a housing repair program, a homelessness prevention program and an economic development program on behalf of the CDBG Consortium.

King County also receives approximately \$4.3 million of McKinney Homelessness Assistance Program funds annually from HUD. Approximately \$4 million of the McKinney funds are used for the Shelter Plus Care (SPC) Program. SPC funds are used to provide rent subsidies for homeless persons with disabilities. King County administers the SPC Program on behalf of the County, City of Seattle and 11 non-profit agencies.

What activities do these programs fund?

CDBG funds can be used for the following activities: acquisition and rehabilitation of housing for low-income and special needs populations; housing repair for homeowners and renters; acquisition and rehabilitation of community facilities; public infrastructure improvements; delivery of human services; historic preservation; and economic development. The activities must primarily benefit low- and moderate-income persons.

HOME funds can be used for the following activities: acquisition, rehabilitation or new construction of housing units for low-income families and individuals; and housing repair for owner-occupied and investor-owned rental housing.

ESG funds can be used to fill funding gaps in operating support for emergency shelters and minor rehabilitation of emergency shelter facilities.

McKinney Homelessness Assistance Program funds the following:

- 1) Supportive Housing Programs - supportive housing and services that will allow homeless persons to live as independently as possible - operating support for emergency shelters and transitional housing, supportive services which help homeless people become more self-sufficient, new construction, acquisition or rehabilitation of transitional housing or permanent housing for persons with disabilities;
- 2) Shelter Plus Care - rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services; and
- 3) Section 8 Single Room Occupancy - rental assistance on behalf of homeless individuals in connection with the moderate rehabilitation of SRO dwellings.

What is the Consolidated Housing and Community Development Plan?

King County is the official grantee which receives CDBG, HOME, and ESG funds on behalf of the King County Consortium. King County is responsible for the overall administration, planning, monitoring and reporting requirements for these HUD programs. King County developed the *King County Consortium Consolidated Housing and Community Development (H&CD) Plan for 2000-2003* in the spring of 1999. The plan provides a community profile for the Consortium and identifies housing and community development needs. The Plan has objectives to address the priority needs which will guide the annual allocation of CDBG, HOME, ESG and other federal funds.

How are funds allocated?

A partnership has been formed between King County and most of suburban cities and towns to address housing, economic and social service needs of area residents. King County has developed two "consortia", CDBG and HOME, which have slightly different participating cities, different program activities, and different allocation processes.

Community Development Block Grant Consortium

The CDBG Consortium is comprised of King County and 32 cities and towns. The Cities of Auburn, Bellevue, and Seattle are not part of the King County CDBG Consortium since they receive separate CDBG funds. The Cities of Medina and Normandy Park have chosen not to participate in the King County CDBG Consortium.

The CDBG funds are divided between the 16 larger suburban cities which elect to take a direct "pass-through" of CDBG funds, and the County, which administers the County and Small Cities Fund for unincorporated King County and the smaller suburban cities. The Pass-through Cities are Bothell, Burien, Covington, Des Moines, Enumclaw, Federal Way, Issaquah, Kent, Kirkland, Lake Forest Park, Mercer Island, Redmond, Renton, SeaTac, Shoreline and Tukwila. The cities and the County distribute CDBG funds to nonprofit and other public agencies based on local needs and federal requirements.

HOME Investment Partnerships Consortium

King County administers the HOME and ESG funds on behalf of the HOME Consortium, which comprises 34 cities and towns including the cities of Auburn and Bellevue. The City of Seattle is not part of either the CDBG or HOME Consortium since they receive separate entitlements and prepare a separate Consolidated H&CD Plan. The Cities of Median and Normandy Park have chosen not to participate in the HOME Consortium.

HOME funds are allocated in the spring as part of the Housing Finance Program which includes the competitive portion of the HOME funds, a setaside of the County and Small Cities CDBG funds for housing development and the King County Housing Opportunity Funds. ESG funds are also allocated in the spring.

Joint Recommendations Committee

The Joint Recommendations Committee (JRC) serves as the policy-making body of the CDBG and HOME Consortia. The JRC consists of four County representatives (Unincorporated Area Council members or department directors) and five representatives (planning directors or elected officials) from the suburban cities. The JRC is an advisory body to the King County Executive and is involved in policy recommendations for the CDBG, HOME and ESG programs. The JRC allocates the Housing Finance Program and ESG funds to specific projects in the spring.

Review of Program Planning and Four Year Goal Setting

In the spring, King County and the Pass-through Cities publish a notice of availability of CDBG funds available for the following year in the legal section of the Seattle Times newspaper and in selected local newspapers.

Technical Assistance to Potential Applicants

In April and May, the County and the Pass-through Cities organize application workshops in the north, east and south parts of the county to provide technical assistance to potential applicants interested in applying for CDBG funds. The workshops provided information on the federal requirements, each jurisdiction's priority needs, and instructions for applying for funds. Technical assistance was also provided to individual applicants.

Public Review of H&CD Plan

Copies of the proposed H&CD Plan are available through the County office at no charge. Copies of the plan are available at the following King County libraries: Bellevue Regional, Black Diamond, Bothell Regional, Carnation, Federal Way Regional, Kent Regional, North Bend, Pacific, Skykomish, Vashon Island, and White Center; and the downtown Seattle Library - Government Documents Section. Copies of the plan are also available in formats accessible to persons with disabilities, if requested.

In the fall, the public is invited to comment on the H&CD Plan for a period of 30 days. All comments, either in writing or provided orally at public hearings or meetings, shall be considered in preparing the final plan. A summary of comments that are made as well as any reasons why they were not accepted will be included in the H&CD Plan. They are included as Appendix H.

Public Comment on Proposed Use of CDBG Funds

A summary of the Consortium's proposed use of federal funds (the Annual Action Plan) is published in the legal section of the Seattle Times newspaper every year in mid-October for public comment before submittal of the Consortium's application to HUD for the funds. Prior to that time, each Pass-through City holds public hearings in the fall on their proposed CDBG projects before the projects are adopted by their respective City Councils. For the eastside cities, this includes funds that are set-aside for housing development through A Regional Coalition for Housing (ARCH), which will later select specific housing development projects twice a year for the City Councils' approval. The JRC holds a public meeting in the late summer on the proposed projects to be awarded CDBG funds, which benefit residents of unincorporated King County and the small cities, and on proposed capital projects which will benefit the Consortium. This includes funds that are set-aside for housing development through the King County's Housing Finance Program, which will later select specific housing development projects for JRC approval.

Council Adoption of Proposed Use of Federal Housing and Community Development Funds

The Metropolitan King County Council allocates the Consortium's CDBG, HOME and ESG funds to broad categories in November as part of its annual budget process.

The Consortium also publishes environmental notices for applicable projects prior to their implementation in the non-legal section of the Seattle Times newspaper. The public is invited to comment on the specific projects as they are published.

Separate Application for HOME and Emergency Shelter Funds

The County conducts a separate application process called Housing Finance Program (HFP) Funding Round to distribute federal and local funds for housing development projects. These funds include the County and Small Cities CDBG funds set-aside for housing development, the Consortium's HOME funds, and King County's Housing Opportunity Funds. The distribution of HFP funds are guided by the housing objectives identified in the H&CD Plan.

Every two years, a separate application process is conducted for ESG funds and for County and Small Cities CDBG funds set-aside for emergency shelter projects. The distribution of ESG and CDBG funds is also guided by housing objectives identified in the H&CD Plan.

The process of selecting the specific projects to be funded is handled as a change or amendment to our proposed use of funds (see below, Public Comments on Changes to Proposed Use of Funds).

Public Comment on Changes to Proposed Use of Funds

After the *Annual Action Plan: One Year Use of Federal Housing and Community Development Funds* is submitted to HUD in mid-November, each Pass-through City and the County is responsible for providing citizens with reasonable notice in their local newspaper and an opportunity to comment whenever either a substantial change or other amendment to the Annual Action Plan is being proposed for each jurisdiction's adopted CDBG program or the Consortium's HOME and ESG programs.

Substantial Change

A *substantial change* is an amendment to the Annual Action Plan that requires 30 days of public comment. A substantial change is defined as changing the amount awarded to a CDBG or HOME funded project by more than 10% of the annual entitlement (approximately \$700,000 or more for a CDBG project and \$350,000 or more for HOME). All substantial changes are approved by the local jurisdiction that awarded the funds and subject to public comment before the County submits the change(s) to HUD. Substantial changes that are approved by a jurisdiction will be published in the regional and/or local newspaper for at least 30 days before they are implemented and the public will be invited to comment during the 30-day period. All public comments will be considered before implementation, and before the substantial change is submitted to HUD.

All comments, either in writing or provided orally at public hearings or meetings, shall be considered in any substantial changes to the H&CD Plan. A summary of comments that are made as well as any reasons why they were not accepted will be attached to the substantial amendment. The County will determine whether the changes need to be submitted to HUD.

Amendment

An amendment is defined as changing the amount awarded to a project by 25%, plus or minus (unless the minus is merely the result of an underrun); or changing the purpose, scope or intended beneficiaries of a project; or canceling or adding a new project. All amendments to adopted projects must be approved by the city or the Joint Recommendations Committee ("JRC"), whichever body initially awarded the funds, and submitted for public comment for 14 days, rather than 30 days, before they are submitted to HUD. Amendments that have been approved by the city or the JRC will be published in local newspapers for at

least 14 days before they are implemented and the public will be invited to comment during the 14 day period. All public comments will be considered before implementation, and before the amendment is submitted to HUD.

Amendments to the cities' CDBG projects, including housing development projects recommended by ARCH, can be adopted by the local jurisdictions through a consent agenda or regular Council meeting. Similarly, amendments to the County and Small Cities CDBG fund including housing development projects recommended by the Housing Finance Program, can be adopted by the JRC at a regular meeting. The County will submit the changes to HUD as necessary.

Minor Changes

Minor changes, which would change the amount awarded to a project by less than 25% or would change the eligible activity or location but would not change the purpose, scope or intended beneficiaries, do not require public notice or Council action. The subrecipient requesting the change will inform the County in writing of the minor change(s) before they are implemented.

Public Comment on Program Performance

A summary of the Consortium's prior year *Consolidated Annual Performance and Evaluation Report (CAPER)* performance is published in the legal section of the *Seattle Times* newspaper in mid-March. The CAPER provides information on the performance of activities funded with CDBG, HOME and ESG funds. Copies of the CAPER are available at the County HCD office and the following King County public libraries: Bellevue Regional, Black Diamond, Bothell Regional, Carnation, Federal Way Regional, Kent Regional, North Bend, Pacific, Skykomish, Vashon Island, White Center; and the downtown Seattle Library - Government Documents Section. The public will be invited to a meeting to review and comment on the CAPER reports at least 15 days before they are submitted to HUD.

Minimizing Displacement and the Loss of Low- and Moderate-Income Dwelling Units

It is the King County Consortium's policy to discourage proposals which would cause the displacement of people or businesses. Any proposal which is likely to cause displacement must include the maximum relocation assistance payments in the budget (under federal regulations displaced households may be eligible for assistance for up to 5 years). King County will take the following steps to minimize the displacement of persons or businesses:

- a) acquisition of properties which are being voluntarily sold by an owner-occupant so that relocation is not the direct result of the project;
- b) acquisition of projects which require only temporary relocation if relocation is needed;
- c) retention of buildings currently housing low- and moderate-income tenants;
- d) allowing tenants to leave through attrition;
- e) acquisition of projects which will not cause increases in neighborhood rents as a result of cumulative impacts of CDBG or HOME investments in the neighborhood.

King County housing staff are responsible for ensuring that requirements are met for notification and provision of relocation assistance, as described in the *Uniform Relocation Assistance and Real Properties Acquisition Act of 1970, as amended (URA)*, and *Section 104(d) of the Housing and Community Act of 1974, as amended (The Barney Frank Amendment)*.

King County will identify replacement units for all occupied and vacant occupiable low- and moderate-income dwelling units demolished or converted to a use other than as low- and moderate-income housing in connection with an activity assisted with funds provided under the Barney Frank Amendment.

All replacement housing units will be provided within three years after the commencement of the demolition or conversion. Before entering into a contract committing King County to provide funds for an activity that will directly result in demolition or conversion, King County will publish a notice in the Sunday edition of the *Seattle Times* newspaper and submit to HUD the following information in writing:

1. A description of the proposed assisted activity;
2. The location on a map and number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as low-income dwelling units as a direct result of the assisted activities;
3. A time schedule for the commencement and completion of the demolition or conversion;
4. The location on a map and the number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units. If such data are not available at the time of the general submission, King County will identify the general location on an area map and the approximate number of dwelling units by size and provide information identifying the specific location and number of dwelling units by size as it is available;
5. The source of funding and a time scheduled for the provision of the replacement dwelling units;
6. The basis for concluding that each replacement dwelling unit will remain a low-income dwelling unit for at least 10 years from the date of initial occupancy;
7. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units) is consistent with the housing needs of lower-income households in King County.

King County housing staff are responsible for ensuring that requirements are met for notification and provision of relocation assistance, as described in the URA and The Barney Frank Amendment. King County housing staff are also responsible for tracking the replacement of housing units and ensuring that these units are provided within the required period.

Meetings are Accessible

All public meetings are held in facilities that are accessible to persons with disabilities. Public notices include a TDD phone number and sign language interpretation is available if requested. Meetings that are

held in areas with large concentrations of limited or non-English speaking residents are advertised in multi-language newspapers and interpretation services are available if requested.

Procedures for Complaints or Grievances

Written complaints or grievances are answered within 15 working days whenever possible. Applications, contracts and other records related to the past use of King County Consortium funds are available for public review at the County office. Each Pass-through City also has records related to their jurisdiction's past use of funds which are available for public review.

Program Calendar: Important Dates for Community Participation

For specific dates and contacts, please call King County Housing and Community Development Program at (206) 296-7540 or (206)296-5242/TTY.

January 1	Program year begins for CDBG, HOME and ESG.
January-March	Homelessness Advisory Group begins planning for countywide application for McKinney Homelessness Assistance Program funds.
January	Applications for current year Housing Finance Program (HFP) funds due to the County.
March	Applications for current year ESG funds due to the County.
March-June	King County, the City of Seattle and nonprofit service providers prepare application for McKinney Homelessness Assistance Program funds.
mid-March	Citizens are given an opportunity to review the prior year's CAPER and are notified of a public hearing on the Carryover Ordinance (which identifies all unfinished projects; extends some prior year projects and cancels others). Notice published in legal section of <u>Seattle Times</u> newspaper.
March-May	King County and the Pass-through Cities publish notice of fund availability for next year's CDBG funds in the legal section of the <u>Seattle Times</u> newspaper and selected local newspapers.
June	McKinney Homelessness Assistance Program application due to U.S. Department of Housing and Urban Development.
March-July	Application period begins for next year's County and Pass-through Cities CDBG funds. Applications are distributed to interested citizens and organizations.
April-May	Pass-through Cities and the County hold CDBG application workshops in north, east, and south King County to provide information on local needs, consortium-wide objectives and to provide technical assistance to potential applicants. Meetings are held in areas accessible to the County's low- and moderate-income population, the number and locations vary each year.
April-August	Applications to individual Pass-through Cities and the County are due to the various jurisdictions.

late April	JRC selects projects to be funded with HFP and ESG funds.
early May	Applicants notified if they have been awarded HFP or ESG funds.
September	Pass-through Cities hold public hearings on proposed CDBG activities for following year and City Councils adopt CDBG projects for next year.
mid-October	King County publishes summary of proposed one year use of federal funds for the following year which in the legal section of the <u>Seattle Times</u> newspaper and selected local newspapers - public is invited to comment on proposed use of funds and to attend public hearing on proposed activities.
early November	Metropolitan King County Council holds public hearings on proposed use of CDBG, HOME, and ESG funds as part of the King County budget process. Notice of hearing is published in the legal section of <u>Seattle Times</u> newspaper.
mid-November	King County Executive submits proposed use of CDBG, HOME and ESG funds as part of the H&CD Plan, and application to HUD for the Consortium's CDBG, HOME and ESG entitlements.
late November	Metropolitan King County Council adopts the total King County Consortium's CDBG, HOME and ESG activities which includes the Pass-through Cities' and the County and Small Cities CDBG projects for the following year.
November-December	County notified of McKinney Homeless Assistance Program awards.
early December	Applicants notified if they have been awarded CDBG funds.
December	Applicable environmental notices published for specific projects in next year's adopted programs.
December	Application period for next year's HFP funds begin. Relocation workshop and pre-application meetings are held.
Ongoing	Citizens informed and given opportunities to comment whenever a substantial change or amendment is proposed to any project.

Appendix B

King County CDBG Requirements and Consortium-wide Policies

Some of the following Consortium-wide policies relate exclusively to the CDBG Program, while several relate to CDBG, HOME, ESG, and McKinney programs. For a description of other federal program requirements and policies, please see appendices C, D, and E.

Community Development Block Grant Program (CDBG)

Goals

The Department of Housing and Urban Development (HUD) makes available Community Development Block Grant (CDBG) funds to assist low- and moderate-income persons (at or below 80% of median income) in King County. These federal funds can provide needed affordable housing, capital improvements such as water and sewer improvements in low- and moderate-income neighborhoods, community facilities such as senior centers, and critical public services such as operating support for homeless emergency shelters.

The primary goals of the CDBG program are:

- To maintain and upgrade existing housing and provide new housing for low- and moderate-income persons.
- To eliminate conditions which cause health, safety and public welfare problems.
- To improve the use of land and other natural resources.
- To aid public services that improve communities in which low- and moderate-income persons live.
- To reduce isolation of income groups, promote diversity and vitality in neighborhoods.
- To alleviate physical and economic distress by stimulating private investment.
- To restore and preserve historic buildings and other properties of special value to a community.

Three Federal Threshold Requirements

To be considered for CDBG funds, a project must meet three federal threshold requirements.

1. Eligible Activities

Acquisition - acquisition of real property in whole or in part by public or private nonprofit agencies. The acquisition may be a purchase or long-term (15 years) lease and must be for a public purpose.

Community Facilities - acquisition, design, construction, or rehabilitation of community facilities which primarily serve, or will serve, low- and moderate-income persons. CDBG funds can be used to acquire, rehabilitate, or construct senior centers, food banks, emergency shelters, and community clinics.

Economic Development - assistance to private, for-profit businesses if such federal assistance is judged "appropriate" and any assistance must minimize, to the extent practical, displacement of existing businesses and jobs in neighborhoods. The businesses must document that they will: (1) create or retain permanent jobs, primarily for low- and moderate-income persons; or (2) involve commercial businesses which serve a predominantly low- and moderate-income neighborhood or community.

Public Facilities or Improvements -

Environmental Quality Projects - design, construction or reconstruction of water and sewer projects, flood drainage facilities, and solid waste disposal facilities to serve existing low- and moderate-income communities or neighborhoods.

Parks, Recreation, Open Space - acquisition, design, site preparation, drainage, construction or rehabilitation of parks or recreational facilities. Any park *equipment* must be permanently affixed. Communities can use these funds to build picnic shelters, and purchase and install equipment.

Streets, Walkways, and Architectural Barriers - street improvements such as curb and roadside drainage; purchase and installation of traffic signals; construction of walkways, crosswalks, neighborhood roads, parking lots, and pedestrian malls; and the removal of architectural barriers that bar persons with disabilities and elderly and limit their mobility within the public right of way.

Fire Protection - acquisition, design, construction or rehabilitation of fire protection facilities and purchase of fire protection equipment.

Public (Human) Services - critical human services for low- and moderate-income persons. Eligible services can include emergency food and shelter, primary health care and vocational training. These activities have special requirements. One, there is a cap which allows only 15% of the King County grant (plus program income) to be used for public services. Two, CDBG funds cannot supplant local government funding already in place.

Rehabilitation - residential rehabilitation of publicly or privately owned single and multi-family housing units, commercial buildings and other non-residential structures; energy conservation improvements; removal of architectural barriers; and the cost of connecting residential structures to available water and sewer lines. Historic preservation activities are also eligible. Housing rehabilitation programs are available through King County.

Relocation - relocation payments and assistance to individuals, families or businesses displaced temporarily or permanently by a CDBG project. A CDBG proposal which may entail relocation must include a relocation plan and budget.

Special Needs Housing/Shelter - acquisition, renovation, or construction of housing units or facilities to provide emergency shelter or housing for groups with special needs. These groups include the mentally ill, drug and alcohol abusers, the homeless, and large families.

2. National Objectives

Each project activity assisted with federal CDBG funds must meet one of three national objectives. The primary objective is to principally benefit low- and moderate-income persons. The second is to prevent or eliminate slums and blight. The third is urgent need. This section will focus on the primary objective. It is rare in King County for a project or community to qualify under the slums and blight criteria or the urgent need criteria.

Principally Benefit Low- and Moderate-Income Persons

Projects can qualify as "area benefit" activities, activities that are directed to a "limited clientele," housing rehabilitation activities or jobs creation/retention activities. This section will explain each of these criteria.

Definition of Low-and Moderate-Income. A low- and moderate-income person is one whose income does not exceed 80% of the median income for households in King County. Table I below shows low- and moderate-incomes by household size.

Table 1
King County CDBG Consortium
1999 Low- and Moderate-Income Limits By Household Size

	Persons Per Household							
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
Median Income	\$43,800	\$50,100	\$56,300	\$62,600	\$67,600	\$72,600	\$77,600	\$82,600
Moderate Income (Capped at 80% of national median)	33,450	38,250	43,000	47,800	51,600	55,450	59,250	63,100
Low Income (50% and below of median)	21,900	25,050	28,150	31,300	33,800	36,300	38,800	41,300
Extremely Low Income (30% and below of median)	13,150	15,000	16,900	18,800	20,300	21,800	23,300	24,800

Area Benefit. An area benefit activity is defined as one which is available to all residents in a particular area where more than 51% of its residents are low- and moderate-income persons. In addition, the area must be primarily residential. (This does not mean that improvements cannot be undertaken in business districts, only that the business district itself must serve a large residential area that is predominantly low-income.)

Examples of such activities are parks, water and sewer projects, sidewalks and streets, and other public improvements which are available to all residents in a particular area. Public services and community facilities, which are located in *and serving* low- and moderate-income neighborhoods, may also qualify.

Benefit to a Limited Clientele. A limited clientele activity is defined as one which benefits at least 51% low- and moderate-income persons. There are five types of limited clientele activities.

- *Presumed Benefit.* Certain groups are presumed by HUD to be principally low- and moderate-income. These are -- abused children, battered spouses, elderly persons, adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled," homeless persons, illiterate persons, persons living with AIDS, and migrant farm workers.
- *Verification of 51% Benefit Using Agency Client Data.* Projects must verify the income of those receiving benefit, and at least 51% of the beneficiaries must be low- and moderate-income.
- *Income Eligibility (Direct Benefit) Requirements.* In this case, each direct beneficiary is screened for income to restrict project benefit to only those persons who are low- and moderate-income.
- *Benefit by Nature/Location of the Project.* This means that the project activity is of such a nature and in such a location that it may be concluded that the clientele will be primarily low- and moderate-income persons; for instance, a food bank at an assisted housing project.
- *Removal of Architectural Barriers.* A project which removes material or architectural barriers restricting mobility and accessibility of elderly persons or adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled" to publicly-owned and privately-owned nonresidential buildings, facilities and improvements, and the common areas of residential structures containing more than one dwelling unit is considered to benefit primarily low- and moderate-income persons if it is restricted to the extent possible to the removal of such barriers.

Housing Rehabilitation Activities (Residential). These activities provide or improve permanent residential structures which are, or will be, occupied by low- and moderate-income households. If a residential structure contains more than one dwelling unit, the general rule is that 51% of the units must be occupied by low- and moderate-income households. It does not include group homes or shelters for the homeless which are considered limited clientele activities.

Job Creation or Retention Activities. These are economic development activities which are designed to create or retain permanent jobs where at least 51% of the jobs, computed on a full-time equivalent basis, can be documented to employ low- and moderate-income persons.

Prevent or Eliminate Slums and Blight

There are two ways to meet this second national objective.

Area Basis. An area defined as a slum or blighted area under state or local law; the conditions which qualified the area as slum or blight must be on record; and the project must specifically address one or more of those conditions. King County and the suburban cities have very few designated slums or blighted areas.

Spot Basis. A project which treats slums and blight outside of a locally designated slum or blighted area. The activity must be limited to what is necessary to eliminate specific conditions posing a threat to public health and safety. The health or safety hazard must be identified, and the scope of the activity must be limited to correcting the hazard.

Urgent Need

The third national objective is urgent need. Activities must meet all the following criteria in order to qualify:

- Existing conditions must pose a serious and immediate threat to the health or welfare of the community;
- Existing conditions are of recent origin or recently became urgent (generally, within the past 18 months);
- Recipient is unable to finance the activity on its own; and
- Other sources of funding are not available.

3. Eligible Recipients

Individual Applicants

Private citizens can apply for a *housing repair* loan or grant directly to King County or cities which administer their own housing repair program.

Project Applicants

Projects must generally be *implemented* by public (or government) agencies or private nonprofit corporations (agencies will need to show evidence of their nonprofit status). Exceptions may be made for private for-profit businesses implementing economic development projects if other federal CDBG requirements are met. *There are special requirements regarding the eligibility of religious nonprofit organizations.*

Anyone, including private individuals, may *apply* for CDBG funds for a project as long as the governing body of an eligible implementing agency approves the application before submittal and agrees to implement the project if it is funded. For-profit businesses as well as nonprofit organizations can apply for a community development interim loan for economic development activities or acquisition of community facilities.

CDBG Policies

The following Consortium-wide policies augment federal CDBG Program regulations at 24 CFR Part 570, federal HOME Investment Partnerships Program regulations at 24 CFR Part 92 and requirements set

forth in the three year interlocal cooperation agreements (ICAs) for the King County CDBG and HOME Consortia. The County and Consortium cities may use additional local criteria for allocating CDBG and HOME funds provided such local criteria do not conflict with federal regulations, the ICAs and the Consortium-wide policies.

Policy 1 – CDBG Public Improvement Projects

CDBG-funded public improvement projects must be consistent with the adopted comprehensive plan and/or capital improvement program of the jurisdiction in which the project is located.

CDBG-funded public improvement projects involving reconstruction of existing public facilities in order to remove barriers to persons with disabilities must be consistent with the adopted comprehensive plan and/or capital improvement program AND the ADA/504 corrective action plan of the jurisdiction in which the project is located.

Water system projects located outside of the County’s Urban Growth Area must address severe health and safety deficiencies, which are, defined as conditions which, at a minimum:

- 1) have caused the Seattle-King County Department of Public Health to classify the system as at-risk for transmitting water-borne illness due to concerns regarding the safety of the water source pursuant to WAC 246-291-130 and King County Board of Health Regulations, Title 12; or
- 2) have been identified by the Washington State Department of Health as the cause of a public water system routinely or potentially failing to comply with the primary drinking water standards or action levels established or referenced in WAC 246-290.

Policy 2 – Restriction on Change of Use for CDBG-Assisted Community Facility* Projects; Security Interest Required

The purpose of Policy 2 is to ensure that CDBG-assisted community facilities are used for their intended public purpose. For the purposes of “restriction on change of use”, emergency shelters and transitional housing are considered to be housing projects, not community facility projects, and therefore this policy does not apply to them (see Policy 3 on “Housing” for shelters and transitional housing projects). The requirement for a promissory note and security interest set forth below does not apply to real property owned by King County and the cities participating in the CDBG Consortium.

CDBG Funding Structured as Forgivable Loan for Acquisition, Improvement and/or Rehabilitation of Community Facilities

CDBG funding in excess of \$25,000 which is used in whole or in part for acquisition, improvement and/or rehabilitation of community facilities, pursuant to CDBG Program Regulations at 24 CFR Part 570.201(c), both for hard and soft costs, shall be structured as a zero interest forgivable loan. The term of the loan will be based on the amount of CDBG funding awarded as follows:

- \$25,000 to \$99,999 is 5 years from project completion;
- \$100,000 to \$199,999 is 10 years from project completion; and
- \$200,000 or more is 15 years from project completion.

The loan shall be forgiven in its entirety at the end of the term provided the assisted facility is used appropriately throughout the term. Project completion is defined as the date on which King County approves the final request for reimbursement pursuant to the County's Contract.

Security Interest Required

When CDBG funds are loaned for community facility projects, King County will require the property owner to grant King County a security interest in the property for the term of the loan as follows:

- 1) When CDBG funds are provided to a nonprofit organization for acquisition, improvement and/or rehabilitation of real property owned by the nonprofit, the nonprofit will be required to execute a promissory note, deed of trust and community facility covenant in favor of King County.
- 2) When CDBG funds are provided to a local government (other than a local government participating in the CDBG Consortium) for acquisition, improvement and/or rehabilitation of real property owned by the local government, the local government will be required to execute a community facility covenant for the benefit of King County as well as a promissory note in favor of King County.
- 3) When CDBG funds are provided to a nonprofit organization for acquisition of a long-term lease, improvements to leased real property and/or rehabilitation of leased real property that is owned by another entity (other than a local government), both the nonprofit and the property owner will be required to execute a covenant and agreement regarding leased property for the benefit of King County and the property owner will also be required to execute a deed of trust for the benefit of King County.
- 4) When CDBG funds are provided to a nonprofit organization for acquisition of a long-term lease, improvements to real property owned by a local government and/or rehabilitation of real property owned by a local government (other than a local government participating in the CDBG Consortium), both the nonprofit and local government will be required to execute a covenant and agreement regarding leased property for the benefit of King County. (Local governments are defined as municipal corporations and special purpose districts.)

Restriction on Change of Use

The County's contract, promissory note and other documents used to grant King County a security interest in CDBG funded community facilities will require the property owner to restrict the use of the property to those activities set forth in the County's contract for the duration of the loan term. These documents will require that agencies that default on these requirements and change the use of the facility without authorization from the Housing and Community Development Program prior to the end of the loan term reimburse the King County CDBG Consortium as follows:

In the event a community facility that was ***rehabilitated*** with CDBG funding is sold or the use changed before the end of the loan term, the property owner will be required to reimburse the King County CDBG Consortium for ***the amount of CDBG funding***.

In the event a community facility that was ***acquired and/or improved*** with CDBG funding is sold or the use changed before the end of the loan term, the property owner will be required to reimburse the King County CDBG Consortium for ***the current fair market value of the property at that time less the***

proportionate share of that value attributable to expenditures of non-CDBG funds for acquisition and improvement to the property.

Rehabilitation of real property is defined as replacing existing materials, fixtures or building systems, reconfiguring existing space and/or removing architectural barriers to persons with disabilities. Rehabilitation includes but is not limited to:

- replacing doors, windows, roofs, and heating systems; and
- installing handrails, ramps and plumbing fixtures.

Improvement of real property is defined as alterations to land or buildings that add new space and/or building systems that did not previously exist. Improvements include but are not limited to:

- the construction of new buildings or additions to an existing buildings;
- the construction of a new parking lot, playground or landscape feature that did not previously exist; and
- the installation of a new elevator or heating system that did not previously exist.

Community Facility Projects Awarded \$25,000 or Less in CDBG Funds

Agencies which are awarded CDBG funding of \$25,000 or less for acquisition, improvement and/or rehabilitation of community facilities will not be required to execute a promissory note, deed of trust or covenant. The County's contract will, however, require the agency to restrict the use of the property to those eligible activities set forth in the contract for a minimum of two years from project completion.

Policy 3 - Change of Use Restriction and Security Interest Required for Housing

CDBG, HOME, and McKinney funding which is used for acquisition, new construction and/or improvement of transitional and permanent housing units shall be secured by a promissory note and deed of trust and subject to an affordable housing covenant, where appropriate. The owner of the publicly funded property must execute the loan, promissory note, and deed of trust and affordable housing covenant in favor of King County. If a funded property subject to this policy is sold or the use is changed before the end of the loan term, the CDBG and HOME funds shall be repaid to the King County CDBG and/or HOME Consortium with a proportionate share of any appreciation in the property.

For housing facilities, King County will require a term equivalent to the longest term required by all of the project lenders, but not less than 20 years for projects receiving CDBG, HOME, and McKinney funds. For projects receiving ESG funds, no security interest is required but projects which involve major rehabilitation are subject to a 10-year change of use restriction and projects which involve non-major rehabilitation are subject to a 3-year change of use restriction.

Housing facilities include transitional and permanent housing for low-income and special needs groups such as victims of domestic violence, persons with developmental disabilities, and the chronically mentally ill. To maintain long-term affordability, these housing facilities are subject to a minimum to 20-year restriction on change of use (except for ESG funded projects).

Policy 4 – CDBG Public Facility Barrier Removal Projects

CDBG-funded community facility projects involving removal of architectural barriers for persons with disabilities must be consistent with the ADA/504 corrective action plan of the property owner or, in the case of a leased facility, each tenant agency whose clientele is intended to benefit from the project.

Policy 5 - Affordable Rents for CDBG Public Facility Projects

CDBG-funded community facilities must provide space at low or no cost to agencies, organizations or service providers offering services to predominantly low- and moderate-income persons during the term of the change of use restriction set forth in Policy 2.

During the term of the change of use restriction, a CDBG-funded community facility may be rented to another organization which serves low- and moderate-income persons provided the rent charged is below market rate for such space and is based solely on actual operating costs (for example, the cost of utilities, consumable goods, janitorial services). During the term of the change of use restriction, a CDBG-funded facility may be used at times for ineligible activities, such as rentals for private parties or for activities having charges or fees, provided these guidelines are followed:

- Such uses may not be scheduled so as to displace or conflict with eligible uses;
- Such uses must be given a lower priority than eligible uses when scheduling use of the facility;
- Such uses may not comprise more than 30 percent of the facility's regular operating hours during any single quarter of the calendar year; and
- Fair market rents must be charged for use of the space

Policy 6 – Affordable Rents for CDBG Housing Projects

Any CDBG-funded project involving acquisition or rehabilitation of rental housing must conform to King County's standard for affordable rents for low- and moderate-income households. The CDBG Program regulations require that a minimum of 50% of residents in CDBG funded housing must be at or below 80% of median income and that rents, including utilities, must be affordable to this income level.

Policy 7 - Application Requirements for CDBG Community Facility Projects Involving Improvements to Leased Facilities

Applications submitted by nonprofit organizations requesting CDBG funding to improve real property leased from a public agency or private landlord, including churches, must include all of the following:

- The application must be accompanied by a copy of the executed lease (with a term no less than that specified for the change of use restriction set forth in Policy 2);
- The application must be signed by the owner; and
- The application must be accompanied by a letter from the property owner to the King County Department of Community and Human Services in which the owner certifies that they will allow

the project proposed in the application to be implemented, that they will execute a promissory note, deed of trust and covenant in favor of King County for the applicable period, that they will not charge rents to the applicant in excess of actual operating costs and that they will name King County as an additional insured (loss payee) during the term of the promissory note.

Policy 8 – CDBG Capital Project Deadlines

CDBG-funded capital projects must be completed within two years from the date funds are awarded. Projects, which are not completed within two years, may be reviewed by the JRC, which may choose to cancel the project and recapture unexpended CDBG funds. While housing projects may not be completed within the two-year timeframe, they must demonstrate substantial progress (i.e., have identified a site, have all of their permanent financing in place, have begun construction).

Policy 9 - Minimum CDBG Proposal Request

Applications for CDBG funds submitted by a local government or nonprofit organization must request a minimum of \$5,000.

Policy 10 - Authorization to Apply for Consortium Funds

Applications for CDBG, HOME, ESG, and McKinney funds submitted by a local government or non-profit organization must be signed by an authorized representative and accompanied by documentation evidencing that the application is authorized by the local government or nonprofit organization. A copy of the Council or Board minutes of the meeting at which a motion was passed, or other evidence of authorization, must be submitted as part of the application.

Policy 11 - Limitation on CDBG Public Service Project Extensions

Continuing CDBG-funded public service projects will not be permitted to carry over funds into the next program year unless there are extenuating circumstances. Ongoing public service projects which are funded again in the following year will generally not be allowed to extend their current year's funds into the next year. Depending upon the circumstances, extensions can be made on a case-by-case basis by the JRC as part of the review of the Carryover Ordinance and if public service funding is available for the following year. If a public service project is not funded again for the next year and ends the current year's program with unexpended funds, the agency will be allowed to apply for a contract extension in order to spend out the allocated funds if ceiling is available the following year.

Policy 12 - Limitation on CDBG Planning and Administration Project Extensions

Continuing CDBG-funded planning and administration projects will not be permitted to carry over funds into the next program year unless there are extenuating circumstances. Ongoing planning and administration projects which are funded again in the following year will generally not be allowed to extend their current year's funds into the next year. Depending upon the circumstances, extensions may be made on a case-by-case basis by the JRC as part of the review of the Carryover Ordinance, and if planning and administration ceiling is available the following year. If a planning project is not funded again for the next year and ends the current year's program with unexpended funds, the agency will be allowed to apply for a contract extension in order to spend out the allocated funds, if ceiling is available the following year.

Policy 13 – Section 3 Goals

Section 3 regulations (24 CFR Part 135) apply to all HUD-funded capital projects (CDBG, HOME, ESG, McKinney), which meet all three of the following criteria:

1. The contract project exhibit must include \$200,000 or more in total HUD funds from one or more program years; AND
2. The contract project exhibit must include construction or rehabilitation work as a task that will be funded in full or in part with the HUD funds; AND
3. The construction or rehabilitation work that will be funded in full *or in part* with the HUD funds must have a contract value, which exceeds \$100,000. The *actual* contract value of construction or rehabilitation work is the determining factor, not a cost estimate set forth in the contract project exhibit.

Section 3 regulations are applicable to contract project exhibits which do not initially meet the above criteria but which are amended so as to add funds or change the activities for which the funds are used. Section 3 regulations are applicable to construction and rehabilitation work performed by construction contractors retained by subrecipients as well as to construction and rehabilitation work performed on force account by public employees.

Section 3 regulations do not apply to contract project exhibits which include \$200,000 or more in HUD funds when the funds are being used for acquisition and/or professional services only and not for construction or rehabilitation work. Section 3 regulations do not apply to contract project exhibits for housing repair programs.

Policy 14 – Substantial Changes and Amendments to CDBG projects

A substantial change is a significant change (to the adopted Annual Action Plan that was submitted to and approved by HUD) that will require 30 days for public comment. A substantial change is defined as changing the amount awarded to a CDBG or HOME funded *project by more than 10% of the annual entitlement (approximately \$700,000 or more for a CDBG project and \$350,000 or more for HOME)*. All substantial changes must be approved by the jurisdiction that awarded the funds, and submitted for public comment before the County submits the changes to HUD. Substantial changes that are approved by the jurisdiction will be published in the regional and/or local newspaper for at least 30 days before they are implemented and the public will be invited to comment during those 30 days. All public comments will be considered before implementation, and before the substantial change is submitted to HUD.

An amendment is defined as changing the amount awarded to a project by 25%, plus or minus (unless the minus is merely the result of an underrun); or changing the purpose, scope or intended beneficiaries of a project; or canceling or adding a new project. All amendments to adopted projects will need to be approved by the city or the Joint Recommendations Committee (“JRC”), whichever body initially awarded the funds, and submitted for public comment before they are submitted to HUD. Amendments that are approved by the city or the JRC will be published in local newspapers for at least 14 days before they are implemented and the public will be invited to comment during the 14-day period. All public comments will be considered before implementation, and before the amendment is submitted to HUD.

Amendments to the cities' CDBG projects, including housing development projects selected by ARCH, can be adopted by the cities through a consent agenda or regular Council meeting. The cities will need to submit the following to King County: evidence of Council action which includes the year of funds, amount of funds, and project description (by Council minutes or resolution); evidence of public notification, copies of any public comments and the cities' response to any public comments.

Minor changes, which would change the amount awarded to a project by less than 25% or would change the eligible activity or location but would not change the purpose, scope or intended beneficiaries, do not require public notice or Council action. The subrecipient requesting the change will inform the County in writing of the minor change before they are implemented. The County will determine whether the change needs to be submitted to HUD.

Policy 15 - Criteria for CDBG Community Development Interim Loans

There are federal criteria for Community Development Interim Loans (CDIL) that must be met. These include but are not limited to the requirement for a Letter of Credit as security for the loan funds. The federal requirements will not be reiterated here.

In addition to the federal criteria, the King County CDBG Consortium will use the following criteria when considering potential CDILs:

- Projects should be located in King County CDBG Consortium areas and benefit Consortium residents. Projects in non-Consortium cities (Seattle, Auburn, Bellevue and others) will not be considered unless they can demonstrate benefit to King County CDBG Consortium residents.
- King County encourages proposals that would complement specific action plans prepared by the County or CDBG Consortium Cities' to address local community or neighborhood-specific housing, human services, community and/or economic development needs consistent with this Consolidated Plan. To help solicit these projects responsive to local needs, King County will advertise in appropriate local as well as regional newspapers.

Economic development proposals by private for-profit businesses will be evaluated and prioritized according to the guidelines outlined in Section VI, Part E of this plan. In the unlikely case of comparable but competing proposals, the following will be considered as tie-breakers:

- proposals that would create or retain the most jobs on a job/cost ratio basis will be preferred.
- proposals that would create or retain jobs in a business that exports goods or services outside our region (thus bringing new money into our region) has the greatest economic benefit and will be preferred.
- proposals that maximize the return on the CDBG loan will be preferred. Generally, King County tries to set an interest rate that would earn interest income for the Consortium while providing a net savings of two points from the borrower's customary cost of funds.

Other CDBG-eligible capital projects that benefit low- and moderate-income people (such as the acquisition of housing or community facilities) will be considered for a CDIL if the project can meet the federal criteria and the applicant can obtain a Letter of Credit. The guidelines in Section VI, Part E of this Plan will not apply to non-profit housing or community facility projects, and a lower interest

rate may be negotiated if the public benefits are significant and offset the public cost of a lower rate of return.

A project receiving a CDIL for acquisition and/or improvement of real property will be subject to the federally-required restriction on change of use for five (5) years from completion of the project. Since this restriction is longer than the term of the Letter of Credit and CDIL (which is usually no more than 1 or 2 years), additional security is needed to enforce the restriction. The restriction on change of use will be enforced through a promissory note secured by a deed of trust on the property. The note will be for an *amount equal to the interest savings* that the borrower has achieved by using the Consortium's CDIL instead of borrowing from a conventional lender. The note will be forgiven after 5 years of appropriate use, and the deed of trust will be reconveyed.

CDIL loan availability will be advertised as funds are available, usually once a year. Application, however, can be made at any time on a first come, first served basis. A public notice in newspapers will be made on each proposed loan and the Metropolitan King County Council will hold a public meeting before make the final decisions.

Policy 16 – Criteria for Section 108 Loan Guarantee Program

There are federal criteria that must be met for Section 108 Loan Guarantees, including requirements for adequate security. Those criteria will not be reiterated here.

In order to safeguard King County's future CDBG entitlement funds, the Consortium has adopted the following additional policies to guide King County's use of the Section 108 Loan Guarantee program:

- No more than \$10 million in total will be guaranteed through this program.
- At least 70% of the guaranteed loans must be revenue-generating, i.e.; the source of repayment will be the project itself and not future CDBG entitlement funds. Conversely, no more than 30% of the guaranteed loans may be for non-revenue generating activities (such as a jurisdiction's public infrastructure improvement project) that rely on the jurisdictions' future CDBG grants for repayment.
- In order to limit any liability to the Consortium members, guaranteeing the loan of a third party (i.e., not a member of King County's CDBG Consortium) will require the borrower to meet Section 108 underwriting standards. These are available from the King County Office of Economic Development.
- The Consortium will follow the guidelines in Section VI, Part E of this Plan when making Section 108 loan guarantees to private, for-profit businesses.
- The length of term of guaranteed loans for revenue-generating projects are as follows: working capital--5 years; equipment--7 years; public works/housing repair--10 years; real estate--20 years.

- Balloon payments by a borrower are strictly prohibited.
- All projects must be in accordance with objectives set forth in the Consolidated Housing and Community Development Plan.
- For non-revenue-generating projects proposed by Consortium jurisdictions that are planning to use their future CDBG funds to repay the guaranteed loan, the Consortium has established the following additional guidelines:
 - 1) Guaranteed loans to Consortium members that will use their individual annual CDBG allocations as the repayment will have a term no longer than six years. The jurisdiction(s) may borrow no more than six times 60% of its own average annual allocation. Repayment of loans (including interest) will be deducted annually from the jurisdictions' allocation through the term of the loan. Any reductions in Consortium's federal entitlement will lengthen the permitted period of repayment. The allocations referred to above are based on each jurisdiction's share of the Consortium's low- and moderate-income population. Projects could be sponsored through one or more of these Pass-through cities' funds if the jurisdiction(s) agree.
 - 2) Mutually agreed-upon, multi-jurisdictional projects will be repaid only through each jurisdiction's resources (CDBG or other) through the term of the loan and according to each jurisdictions' proportional benefit (or other mutually agreed upon plan submitted jointly by the jurisdictions involved).
 - 3) Only those Consortium members undertaking a loan through the 108 program will be responsible for its repayment, either through their annual CDBG allocations or other non-CDBG revenue sources.

Opportunities for Section 108 loan guarantees will be advertised along with CDILs (see policy 15), but application can be made at any time. An interjurisdictional committee of Consortium cities staff and County staff will evaluate all potential Section 108 loan guarantee projects for adherence to HUD and Consortium criteria. Recommendations will be forwarded to the JRC (in reasonable time for suburban city coordinators to brief their JRC members) for JRC authorization, then the King County Executive will submit an application to HUD. Once HUD approval is obtained, the King County Council will then hold a public meeting before making the final decision..

Policy 17 – CDBG Consortium-wide Capital Fund

Program income generated from the interest on Community Development Interim Loans and Section 108 Loan Guarantees will be used for the direct costs needed for implementation of the two loan programs and for other Consortium-wide or regional capital projects or programs. The JRC will allocate funds to eligible CDBG projects after review by an inter-jurisdictional staff group. There is no application process for this fund, the Pass-through Cities and County staff will nominate potential projects from among the proposals received from their annual application process.

Appendix C

HOME Investment Partnerships Program (HOME) Policies and Requirements

The federal HOME Program was created to stimulate new kinds of public/private housing partnerships and to maximize the existing resources, which are being applied to develop more affordable housing. HOME provides local governments with the flexibility to decide what kind of housing assistance, or mix of housing assistance, is most appropriate to meet local housing needs. The following local guidelines were approved by the Joint Recommendations Committee for use of HOME funds in the King County HOME Consortium. *These are the HOME policies as of October, 1998. They are periodically updated by the Joint Recommendations Committee pursuant to the HOME Interlocal Agreement.*

Overall Design Policies and Requirements of the HOME Program

The statutory focus of the HOME Program is to create affordable permanent housing for low and very-low income residents. Of the annual allocation received by King County, up to 10% can be used to cover administrative costs. A portion of the HOME funds are also used for homeowner and investor-owner housing repair. The balance is available through a competitive process for development of permanent affordable housing, either rental or homeownership across the Consortium. At least 15% of the annual allocation must be set aside for particular types of nonprofit housing providers called "Community Housing Development Organizations" (CHDOs). HOME funds may be used to develop affordable rental housing and promote homeownership opportunities through acquisition (real property acquisition as well as assistance to homebuyers), site improvements, new construction, and rehabilitation. These funds may also be used to pay for development soft costs including finance costs, predevelopment costs, and relocation costs.

Mixed Income and Mixed Use Projects

Mixed income projects can be eligible for HOME assistance as long as a minimum of 20% of the units are targeted and affordable to extremely low-income households with incomes at or below 50% of median. While the HOME Consortium encourages mixed income projects, applicants are cautioned that relocation may be an issue. Applicant is advised to consult with King County staff on mixed income projects.

For purposes of meeting the HOME affordable housing requirements for a project, the units counted for purposes of HOME may change over the period of affordability so long as the total number of affordable units remains the same, and the substituted units are comparable in size, features, and number of bed-

rooms to the originally-designated HOME units.

Mixed-use projects are eligible if a minimum of 51% of the project space constitutes residential space. HOME funds will be available for assistance only in proportion to the percent of low-income units in the project.

Assistance for First-Time Homebuyers

HOME funds may be used to provide first-time homebuyer assistance to households whose income falls at or below 80% of the area median and who occupy the housing as their principle residence. Participation by nonprofit as well as for-profit organizations in providing homeownership assistance is encouraged which can:

- assist in qualifying potential homebuyers;
- provide homeownership education;
- partner with or provide affordable mortgage programs;
- monitor long-term affordability requirements including resale restrictions; and
- assist in tracking the recapture of HOME funds.

Homeownership activities supported with HOME funds must:

- ensure that potential homebuyers are screened for income eligibility and potential success as a homeowner;
- preserve long-term affordability (minimum of 15 years for existing units or 20 years for new units);
- include resale restrictions which recapture HOME contribution when homes are sold during period of affordability for use in another HOME-eligible activity or by another eligible homebuyer.

In addition, first-time homebuyers should have a household income of at least 50% of median income. A lower income will require the nonprofit sponsor to provide training and/or counseling on the responsibilities and rights of homeowners. This will ensure that assisted buyers will be more likely to maintain their homes and keep up with monthly payments.

Education and counseling activities will only be funded in conjunction with a homeownership project (e.g., downpayment assistance, new construction). Funding for homeownership education and counseling activities will not exceed \$25,000 per project, and the total funds available for these activities annually will not exceed 5% of the funds available in the competitive pot.

Opportunities for homeownership can be developed or preserved through:

- use of limited equity cooperative model or community land trust model;
- use of a sweat equity model;
- nonprofit acquisition of a mobile home park in danger of conversion to another use in order to maintain its long-term affordability;

- nonprofit organization partnering with for-profit organizations to develop a first-time homebuyer program serving a neighborhood or community; or
- revolving loan funds to be used for downpayment assistance or mortgage subsidy through a “silent” second mortgage.

Proceeds from repayments of loans to assisted homebuyers will be used for another HOME-eligible activity (pursuant to the Multifamily Housing Property Disposition Reform Act of 1994) or to assist another eligible homebuyer. The monitoring of subsequent resales and long-term affordability can be addressed by the nature of the limited equity cooperatives, community land trusts, or nonprofit organizations.

Eligible Costs

HOME funds may be used to pay development hard costs for the construction and rehabilitation of houses. HOME funds may be used in rehabilitation projects to meet the applicable rehabilitation standards of the County and other Consortium jurisdictions or to correct substandard conditions, to make essential improvements including energy-related repairs or improvements, improvements necessary to permit the use by handicapped persons, and the abatement of lead-based paint hazards, and to repair or replace major housing systems in danger of failure.

New Construction or Rehabilitation Costs: Within both new construction and rehabilitation, HOME funds can pay costs to demolish existing structures for improvements to the project site and costs to make utility connections. Within new construction projects, HOME funds can cover the cost of an initial operating deficit reserve, reserve for replacement payments, and debt service.

Acquisition and Development Soft Costs: HOME funds may cover the cost of acquiring improved or unimproved real property and the following related soft costs: architectural, engineering or related professional services, impact fees, costs to process and settle the financing for a project, costs for a project audit, costs to provide information services such as affirmative marketing and fair housing information and relocation costs.

Homeownership Assistance: Under homeownership activities, HOME funds may be used to a) provide downpayment assistance which either reduces the amount of downpayment and/or closing costs; b) reduce the monthly carrying cost through a direct mortgage loan to the homebuyer; c) provides an interest subsidy buydown to the first mortgage lender; d) provides gap financing (covering the difference between the amount payable by the homebuyer and the amount of permanent lender financing; or e) provide donated or discounted land or property for development. The choice of strategy depends upon the geographic area and number of households to be served.

Community Housing Development Organization (CHDO) Setaside

The federal regulations require that 15% of the HOME allocation be set aside for capital projects by Community Housing Development Organizations (CHDOs). The King County Consortium has also chosen to use a portion of its HOME funds for operating support of CHDOs to support capacity development. This entails a one-time allocation to a designated CHDO, not to exceed \$30,000, which must be spent

over two years and used specifically to develop operational capacity for the development and successful implementation of a capital housing project. Requests for CHDO operating support must be associated with a capital project application or in support of a previously funded project or projects. Funds can be used to cover staff costs, board and/or staff training, limited use of consultants; and coverage of operating expenses. CHDOs wishing to apply for capacity building support will need to submit a detailed plan of how these funds will enable them to achieve self-sufficiency and/or greater productivity and enhance their ability implement an affordable housing project.

A CHDO is defined as a private nonprofit organization that:

- Is organized under State or local laws;
- Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;
- Is neither controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the organization. A community housing development organization may be sponsored or created by a for-profit entity, but:
 - i. The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer, or real estate management firm.
 - ii. The for-profit entity may not have the right to appoint more than one-third of the membership of the organization's governing body. Board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members; and
 - iii. The community housing development organization must be free to contract for goods and services from vendors of its own choosing;
- Has a tax exempt ruling from the Internal Revenue Service under section 501(c) of the Internal Revenue Code of 1986;
- Does not include a public body (including the participating jurisdiction) or an instrumentality of a public body. An organization that is State or locally chartered may qualify as a CHDO; however, the State or local government may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members can be public officials;
- Has standards of financial accountability that conform to Attachment F of OMB Circular A-110 (rev.) "Standards for Financial Management Systems;"
- Has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions, or by-laws;
- Maintain accountability to low-income community residents by:
 - i. Maintaining at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations. For urban areas, "community" may be a neighborhood or neighborhoods, city, county, or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State), provided the governing board contains low-income residents from each county of the multi-county area; and

- ii. Providing a formal process for low-income, program beneficiaries to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing;
- Has a demonstrated capacity for carrying out activities assisted with HOME funds. An organization may satisfy this requirement by hiring experienced accomplished key staff members who have successfully completed similar projects, or a consultant with the same type of experience and a plan to train appropriate key staff members of the organization; and
- Has a history of serving the community within which housing to be assisted with HOME funds is to be located. In general, an organization must be able to show one year of serving the community (from the date the participating jurisdiction provides HOME funds to the organization). However, a newly created organization formed by local churches, service organizations, or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least a year of serving the community.

Maximum and Minimum HOME Subsidies Per Unit

The per unit cost limits have been set at the limits established under 221(d)(3)(ii) of the National Housing Act (12 U.S.C. 17151(d)(3)) that apply to the area in which the housing is located. These limits are provided by the Department of Housing and Urban Development and may be adjusted in high cost areas.

Since HOME funds are intended to attract other contributions to permanently affordable housing, the Consortium's subsidy per unit shall be no more than 50% of the total per-unit cost, regardless of the maximum noted above. (A unit is defined as anything in which a household can reside, ranging from a single-room occupancy hotel unit, to a single family home, to a three-bedroom apartment. If multiple households share a single-family house, the house is counted as one unit.)

The maximum HOME subsidy that may be provided for each project is established by HUD, updated annually, and is not reduced by the presence of Low Income Housing Tax Credits. The regulations specify this provision to prevent the layering of federal funds beyond the amount required to make a project financially feasible. The request for proposal will list the current maximum HOME subsidy by bedroom size.

The minimum level of HOME funds for rehabilitation projects is an average of \$1,000 per unit.

Duration of Low-Income Benefit

All HOME recipients must be both able and willing to establish a legally binding public interest. The public interest will be secured through a lien on the property recorded as a mortgage, and a promissory note explaining the sale and change of use provisions. The project will remain affordable secured by deed restrictions for not less than 20 years; and will be ineligible for additional HOME dollars during the specified period. Monitoring will occur at intervals determined by the project size.

Property Standards

At a minimum, housing units assisted with HOME funds must meet the Uniform Housing Code. Rental housing rehabilitated with HOME funds must meet the Section 8 Housing Quality Standards. Projects involving substantial rehabilitation (greater than average of \$25,000 per unit total development costs) must also meet cost effective energy conservation and effectiveness standards. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials. Projects with operating budgets that include adequate maintenance reserves will be given priority to ensure that they can continue to meet property standards at least as long as the required period of affordability.

HOME Project Amendments

Housing projects receiving HOME funds may request an additional award of HOME funds to address unanticipated increased costs. Applicants requesting a project amendment must show that the project has not substantially changed in scope. The nature of the project and the proposed residents to be served cannot have materially changed. In addition, the total fund award (including any amendment) must continue to meet fund sources requirements, including limits on the total award of HFP funds and the maximum amount of HOME funds per housing unit.

The project amendment will be evaluated based on the following criteria:

- Applicants requesting additional funds must submit revised development and operating budgets showing the difference between original estimates and current projections. The applicant must explain the impact on the project if additional funds are not made available, demonstrating that additional funds are necessary.
- The applicant must provide an evaluation of all available fund sources, applicant contributions and budget adjustments that potentially could make up the budget shortfall. The applicant must make every effort to leverage other public and private funding, reduce costs, or otherwise materially contribute to reducing the newly identified funding gap.
- The applicant must explain the extent and cause of the budget increase, and demonstrate that any project changes and increased costs do not diminish the ability of the development team to successfully complete the project.
- The amendment recommendation will take into consideration, among other things, the urgency of the need for HOME funding, impact of the amendment on the geographic distribution of HOME funds, and other competing requests for project amendments.

If the additional HOME award exceeds \$30,000 or 10 percent of the original HOME award, whichever is greater, the JRC must approve the amendment. If the HOME amendment is less than this amount, the Director of the Department of Community and Human Services must approve the funding award.

Any reserved HOME funds, which are not needed for project amendments within a given year, will be allocated to projects in the following year's application round.

Recapture and Reallocation of HOME funds

Federal regulations require that each program year's HOME allocation be committed to projects and start spending within 24 months. When necessary to commit unused funds or when funds must be recaptured from a project, which is unable to use them within 18 months, the money will be recaptured and recommitted to other HOME-eligible activities. Funds recaptured from a CHDO must be reallocated to another CHDO.

Program Income and HOME

Any program income approved for inclusion with the HOME program or generated by HOME-assisted projects will be committed to eligible HOME activities.

Federal Matching Requirements

Matching requirements are program-wide and not project specific. Pursuant to the regulations, the match must be (1) a permanent contribution to the program, and (2) from non-federal sources. The match requirement is tied to the type of HOME activity. All acquisition, rehabilitation, new construction and first-time homebuyer activities will generate a 25% match obligation.

Projects with funding commitments from non-federal sources such as HOF, local general funds, or private funding, shall have priority for HOME funds. In addition, projects with firm financial commitments will have priority over those with pending, tentative, or speculative commitments.

Examples of eligible forms of match include the following:

- local or state general revenues;
- housing trust fund grants or the grant-equivalent of a below-market rate loan;
- foundation grants or donations;
- state appropriations;
- excess reserves from housing finance bond issues;
- general obligation bonds;
- interest rate subsidy achieved by exemption of state or local taxes;
- up to 50% of the proceeds from bond financing that is repayable with revenues from a multifamily affordable housing project financed, and up to 25% of the proceeds from bond financing that is repayable with revenues from a single family project financed, provided that no more than 25% of the HOME Consortium match liability is funded with proceeds from bond financing; or
- the value of site preparation, construction materials, and donated/voluntary labor in connection with the site preparation and construction or rehabilitation of affordable housing;
- waived impact fees; and

- the value of donated land.

QUALIFICATION AS AFFORDABLE HOUSING:

Rental Housing

All rental rehabilitation projects have to meet the regulatory definitions of "affordable" to receive HOME funds. According to the HOME regulations, a rental housing project (including the non-owner occupied units in housing purchased with HOME funds) qualifies as affordable housing if:

- HOME rents will not exceed the lesser of 1) the Fair Market Rents (FMR) for an existing area for comparable project as defined by HUD, or (2) 30% of the adjusted income of a family whose gross income equals 65% of the median income for the area as determined by HUD adjusted by number of bedrooms in the unit;
- or in the case of five or more units, 20% of the HOME assisted units are either (1) occupied by extremely low-income families (below 50% of area median adjusted by family size) which pay as contribution toward rent no more than 30% of their adjusted monthly income, or (2) occupied by extremely low-income families where rent for the units is not greater than 30% of the gross income of a family whose income equals 50% of the median income for the area, as determined by HUD;
- the balance of units in the HOME-assisted portion of the project are occupied only by households that qualify as low-income families (whose income is not greater than 80% of the area median), (the balance of the entire building units may have rents that are market rate);
- the HOME-assisted units can be leased to a holder of a certificate of family participation under the Rental Certificate Program or a rental voucher or to the holder of a comparable document evidencing participating in a HOME tenant-based assistance program; and
- the HOME-assisted units will remain affordable pursuant to deed restrictions, for not less than 20 years beginning after project completion.

All rental projects are required to meet the minimum requirement of 20% of the units occupied by households whose income does not exceed 50% of the median for the area.

For projects involving rehabilitation only, the after-rehabilitation rents for HOME assisted units should generally not exceed before-rehabilitation rents. During the contract term, rents can be increased only to the extent allowed by HUD as determined by increases to the region's Fair Market Rents and incomes. Rents can theoretically decrease in a HOME assisted project if the regional median household incomes or FMRs decline.

Homeownership

Housing that is for acquisition by a family must be modest single family housing (1 to 4 unit family residence, condominium unit, cooperative unit, combination of manufactured home and lot, or manufactured home lot). The housing must:

- have a purchase price that does not exceed 95% of the median purchase price for the area if newly constructed;
- have an after-rehabilitation value that does not exceed 95% of the median purchase price for the area if rehabilitated;
- have a mortgage limit which falls under Section 203(b) of the National Housing Act;
- be acquired by a homebuyer who qualifies as low-income; and
- must be the homebuyer's principal residence throughout the period of affordability.

HOME funds will be subject to recapture provisions if the housing does not continue to be the principal residence of the family for the duration of the period of affordability. The amount subject to recapture is based upon the amount of HOME assistance that enabled the homebuyer to purchase the home. The recaptured HOME funds will be used for other HOME-eligible activities or to assist subsequent homebuyers depending upon the design of the homeownership program.

Tenant and Participant Protections Required by HOME Program

Tenants are to be afforded certain protections in any HOME assisted project. The major tenant protections include the following provisions:

- leases must be for a minimum of one year unless mutually agreed to by the owner and tenant;
- restrictive provisions in the lease requiring the tenants to waive any rights is prohibited;
- an owner may not terminate tenancy or refuse to renew the lease except for violations of the terms of the lease or for violation of applicable federal, state or local law; and
- an owner must have written tenant selection policies and criteria that are consistent with the purpose of providing housing for the extremely low-income and low-income families, are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease, give reasonable consideration to the housing needs of families that would have a Federal preference under section 6(c)(4)(A) of the 1937 Act, provide for selection of tenants from a written waiting list, and give prompt notification to any rejected applicant of the grounds for any rejection.

HOME regulations require CHDOs to submit a Tenant Participation Plan describing fair lease and grievance procedures and a program for ensuring tenant participation in management decisions. HCD staff will provide guidance to the selected CHDO(s) on the components of this plan after the project selection process is complete.

Appendix D

Emergency Shelter Grants Program (ESG) Policies and Requirements

Overview

The Emergency Shelter Grant (ESG) Program is designed to supplement State, local, and private efforts to provide emergency shelter assistance for the homeless. The ESG Program authorizes HUD to make grants to States and units of local government and territories, Indian Tribes, and non-profit organizations.

Amounts are allocated on the basis of the CDBG allocation formula. In order to receive these federal funds for local dispersal, King County submits required documentation as well as a Consolidated Plan to HUD. Once HUD approves the consolidated plan, the plan serves as the County's application for ESG funding.

King County passes all of its ESG allocation through to non-profit organizations through an annual competitive application process.

The ESG program is part of the Stewart B. McKinney Homeless Assistance Act. It is designed to be the first step in a continuum of assistance to enable homeless individuals and families to move toward independent living as well as to prevent homelessness.

Purpose and History

The purpose of the ESG Program is to improve the quality of existing emergency shelters for the homeless, to make additional emergency shelters available, and to help meet the costs of operating emergency shelters and providing certain essential social services to homeless individuals and families. Annually, King County has allocated a total of \$220,000 to \$250,000 in small grants to a wide range of non-profits providing emergency shelter and services to residents of King County outside of Seattle. Grants serve a wide range of target populations including homeless families, single adults, survivors of domestic violence and youth.

In 1998, ESG funds helped support the provision of approximately 110,000 shelter bednights to homeless individuals and families. The following demographics further describe populations served in 1998.

- The majority of people served were children under the age of 18;
- The majority of households served were either two-parent or single-parent families with children;
- The primary reason for needing shelter was domestic violence;

- Women over 18 years of age were the second largest population served;
- Men over 18 were the third largest population served;
- Almost 40% of the households served were employed;
- Close to 70% of all households served were below 30% of the area median income;
- Almost 40% returned to a previous living situation or moved on to transitional or permanent housing;
- The agencies receiving ESG funds reported that cumulatively, they served almost 3,000 unduplicated clients;
- Additionally, agencies reported they were at capacity and had to turn away approximately 15,500 individuals applying for shelter.

Eligible Activities

Emergency Shelter Grants may be used for one or more of the following activities relating to emergency shelter for the homeless;

1. Renovation, major rehabilitation, or conversion of buildings for use as emergency shelters for the homeless;
2. Provision of essential services to the homeless (subject to certain limitations);
3. Payment for shelter maintenance, operations, rent, repairs, security, fuel, equipment, insurance, utilities, food and furnishings.
4. Developing and implementing homeless prevention activities subject to certain limitations. Grant funds may be used to assist families that have received eviction notices or notices of termination of utility services if certain conditions are met;
5. Certain administrative costs.

Not more than 10% of a grant amount may be used for the cost of shelter staff. Not more than 30% of an annual allocation can be expended to pay for costs associated with essential services. Additionally, not more than 30% of the annual allocation can be expended to pay for costs associated with homelessness prevention activities.

Limitations—Primarily Religious Organizations

ESG assistance may be provided to a grantee or recipient that is a primarily religious organization if the primarily religious organization agrees to provide all eligible activities under this program in a manner that is free from religious influences and in accordance with the following principles:

- i. It will not discriminate against any employee or applicant for employment on the basis of religion and will not limit employment or give preference in employment to persons on the basis of religion;
- ii. It will not discriminate against any person applying for shelter or any eligible activities on the basis of religion and will not limit such housing or other eligible activities or give preference to persons on the basis of religion, and;
- iii. It will provide no religious instruction or counseling, conduct no religious services or worship (not including nondenominational prayer before meetings), engage in no religious proselytizing, and exert no other religious influence in the provision of shelter and other eligible activities.

Under certain conditions, grants may be used to rehabilitate or convert a structure that is owned by a primarily religious organization. Additionally, a primarily religious organization may partner with or establish a wholly secular non-profit organization to serve as a recipient of all forms of assistance under the grant program subject to the three principles identified.

Homeless Assistance and Participation

Grantees and recipients must assure that homeless individuals and families are given assistance in obtaining appropriate support services, including:

- Permanent housing;
- Medical health treatment;
- Mental health treatment;
- Counseling;
- Supervision; and
- Other services essential for achieving independent living.

Appendix E

Continuum of Care Homeless Assistance McKinney Program Guidelines: (SHP, S+C, and SRO)

Overview

The Continuum of Care Homeless Assistance McKinney grants support programs that fill gaps in locally developed Continuum of Care systems.

Purpose and History

The purpose of a Continuum of Care system is to assist homeless persons move to self-sufficiency and permanent housing. A system is developed through a community-wide or regional-wide process involving nonprofit organizations (including those representing special need populations, government agencies, housing developers, private foundations, etc.). The Continuum of Care Homeless Assistance program has been the major source of Federal assistance to States, local governments and nonprofit organizations to fill gaps in locally developed Continuum of Care systems since the inception of the Stewart B. McKinney Homeless Assistance Act in 1987.

Goals

A continuum of care system consists of four basic components that enable homeless individuals or families move to self-sufficiency:

1. *Outreach and assessment* to determine the needs and conditions of an individual or family who is homeless;
2. *Emergency shelters* with appropriate supportive services to meet immediate/emergency needs;
3. *Transitional housing* with appropriate supportive services to meet immediate and inter-mediate needs;
4. *Permanent housing, or permanent supportive services* to meet the long-term needs.

Seattle/King County Consolidated Application

Since 1995, Seattle and King County have submitted a “consolidated” application that contains funding requests for multiple projects. Project sponsors include numerous non-profit agencies as well as governments that provide a host of housing and supportive programs for homeless persons. HUD selects the spe-

cific projects to receive funding, but intends to respect the recommendations of local communities (a priority ranking of projects approved by Seattle and King County management appear in the application). The application generally contains requests for renewal funding for homeless programs in Seattle and King County. Occasionally new programs are including in the consolidated application, although funding for new programs is extremely competitive, and in recent years funding even for renewals has been reduced. Potential applicants are urged to contact HCD staff to discuss the current status of the McKinney grant programs and application requirements.

Eligible Activities

The Continuum of Care Assistance McKinney Program provides funding for a wide variety of capital, operating, supportive services, and rental assistance associated with transitional and permanent housing programs for homeless people. The following table illustrates the various activities eligible under the McKinney Program:

Three types of Programs funded by McKinney:			
	1. Supportive Housing Programs (SHP)	2. Shelter Plus Care (SPC)	3. Section 8 Single Room Occupancy (SRO)
Program Description	supportive housing & services that will allow homeless persons to live as independently as possible	rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services	rental assistance on behalf of homeless individuals in connection with the moderate rehab of SRO dwellings
Eligible Components	<ul style="list-style-type: none"> • Transitional housing • Permanent housing for disabled persons • Supportive services not in conjunction with supportive housing • Safe Havens • Innovative supportive housing 	<ul style="list-style-type: none"> • Tenant - based • Sponsor - based • Project - based • SRO - based 	SRO housing
Eligible Activities	<ul style="list-style-type: none"> • Acquisition • Rehabilitation • New Construction • Leasing • Operating Costs • Supportive Services 	Rental Assistance	Rental Assistance
Eligible Populations	Homeless persons	Homeless disabled individuals and their families	Homeless individuals and Section 8 eligible current occupants
Initial Term of Funding Assistance	1-3 years	5 years (TB, SB PB if no rehab) 10 years (SRO and PB with rehab)	10 years

Appendix F

King County Housing Opportunity Fund Guidelines

These are the HOF policies as adopted by the King County Council in 1990; they are subject to change. For more information about the HOF fund and application cycle, contact Maureen Kostyack, Coordinator, King County Housing Finance Program, at (206) 296-8669. E-mail: Maureen.Kostyack@metrokc.gov.

Overview and Fund Priorities

The Housing Opportunity Fund (HOF) was created in 1990 to enable local housing providers to better compete for and leverage federal, state, private, and other local funds to meet the urgent housing needs of the County's homeless, displaced, and special needs populations. In nine years, the HOF has committed approximately \$25.1 million to support the development of 84 projects, creating 2,597 units of low-income housing. These are the policies that have been adopted for use of the HOF:

- Preserve housing threatened by conversion or expiring low-income use restrictions; or provide permanent or transitional housing for those with special needs; or provide emergency, transitional, and permanent housing for homeless families and individuals.
- Link the provision of low-income housing with necessary human services, consistent with service system strategic plans.
- Produce the greatest number of units at a competitive per-unit cost for the longest benefit to eligible residents.
- If located within a city, include a financial contribution from that city to demonstrate support.

Local Matching Funds

It is a goal of King County's local housing funds to leverage other public and private resources. All projects receiving HOF funds must receive a funding award from the city where the project is located before County funds will be released. Since most larger suburban cities have CDBG application deadlines in late spring and early summer, applicants should plan early to apply to other local funds sources.

Eligible Beneficiaries

Households with incomes at or below 50% of median who are:

- Low income families and seniors at risk of displacement and homelessness
- Homeless families and individuals, including youth

- Special needs groups:
 - victims of domestic violence
 - frail elderly
 - people with mental illness
 - people with developmental disabilities
 - people with HIV/AIDS
 - people with alcohol/substance abuse problems

Other special needs groups may be served if the applicant can demonstrate that: (1) the population to be served requires ongoing care to live in the community, and (2) support services will be linked to housing.

Eligible Activities

HOF funds can be used for the following housing project types and development activities:

- emergency shelter
- transitional housing
- permanent rental housing
- new construction
- acquisition and rehabilitation
- site improvements
- relocation expenses

Funding Limits

The per unit maximum funding limits may be waived by the Department Director, for example, when other fund sources are not sufficient or feasible. The limit is 50% of total development cost, up to the following maximum subsidy per unit:

Multifamily Housing

\$45,000 for new construction

\$40,000 for acquisition and rehabilitation

Single Family/Duplexes

\$30,000 per bedroom for single family housing for shared living for single individuals or families.

Project Management

Maximum of 5% of HOF award

Project Locations

Projects assisted with HOF funds must be consistent with the policies and location criteria in the King County Consortium's H&CD Plan. In addition, projects must comply with the King County Comprehensive Plan or applicable local comprehensive plans, and must meet all zoning and building code requirements of the local jurisdiction. Projects accessible to services, jobs, transportation, and amenities are encouraged.

HOF-funded projects that benefit residents of unincorporated King County are encouraged. Projects located in suburban cities are eligible when the city contributes funding to the project. Projects located in suburban cities are eligible for funding if the project will serve residents of unincorporated King County and if the city contributes financially to the project. Projects located in the City of Seattle will be considered for HOF funding only if sponsors can demonstrate that the project: will serve a unique regional purpose; will serve residents of unincorporated King County; has secured regional funding; and will provide a housing resource that it is not feasible to provide elsewhere in the County.

Challenge Grant Setaside

In some years, King County also has local funds available as a “Challenge Grant.” It is a set-aside of HOF funds available only for projects which receive funding from a suburban city or cities prior to a given date as specified in the Request for Proposal. The Challenge Grant is intended to provide an incentive for suburban cities to fund housing by earmarking County matching funds for local priority projects. A wide range of housing types, serving residents up to 80 percent of median income, are eligible to apply.

Matching Funds: Projects eligible for these set-aside funds must have a commitment of capital funds by one or more suburban cities. It is not necessary for funds to be committed at the time of applications, however, funding must be awarded by a given date specified in the Request for Proposal. The minimum amount of city funding required for eligibility is the lower of:

- \$40,000, contributed by one or more cities, or
- \$1 per capita, based on the population of the funding city or cities.

King County will match city funding with a *minimum* grant of \$40,000, or dollar for dollar, whichever is greater. The maximum County award for these projects will follow the HOF limits described above.

Please note that these Challenge Grant guidelines are subject to change.

Appendix G

Consolidated Plan Consistency Verification

Sponsors of projects which will be sited in jurisdictions covered by a HUD-approved H & CD Plan must verify that the project is consistent with the Consolidated Plan when applying for any Federal housing dollars. Verifications of consistency with the 2000-2003 King County Consortium H & CD Plan will be issued by King County, as the lead jurisdiction, on behalf of all consortium members.

A request for verification of H & CD Plan consistency should be submitted in writing to Cynthia Ricks-Maccotan, Housing and Community Development Program, 700 5th Avenue, Suite 3700, Seattle, WA 98104. The request must contain a brief description of the project which includes the following:

1. The name of the agency or organization sponsoring the project. Any consultants being used to make applications or undertake development on behalf of the project sponsor should also be identified.
2. The nature of the project (new construction, acquisition, or rehabilitation) and the number of units that will be developed or the number of households that will be served.
3. The affordability level that will be achieved (affordable to households at 50% of median income, for example).
4. Where the project will be sited. If specific site is not yet known, the project sponsor should indicate the general area in which a site will be sought (for example, the name of the city or geographical area in which the site search will focus).

In addition, it will be useful to include the following information:

- A description of any supportive services that will be provided to projected residents, and the identification of any agencies or organizations other than the project sponsor that will be involved in the provision of such services.
- All sources of funds expected to be used to develop and/or operate the housing.

When the County receives a request for H & CD Plan for consistency for a project located in a consortium city, the County will send a copy of the response letter to appropriate staff in those jurisdictions.

The County requires a minimum of two weeks to prepare a response to a request for verification of H & CD Plan consistency. Therefore, requests should be submitted to the County at least two weeks prior to the application deadline of any fund source which requires a verification of H & CD Plan consistency. Failure to do so may result in the verification of H & CD Plan consistency being unavailable at the time funding applications are due.

Appendix H

Anti-Poverty Strategy

Poverty is essentially an income issue related to living wage jobs and the economic health of the community and nation. Economic strategies and job creation programs are the responsibility of the state and federal governments, although the Consortium can effect jobs indirectly through infrastructure improvements and directly through job creation activities (See Section VI, Economic Development portion). The housing policies and programs undertaken by the Consortium can only indirectly affect the number of people in poverty. Without new jobs which pay a livable wage, even working families will require subsidized housing and other services. Many households living in poverty are either already homeless or at risk of homelessness.

Most housing programs and services have as a primary goal to increase the self-sufficiency of the clients. As people move along the continuum from homelessness to independent living, the services change to meet their evolving needs. In addition to stable, secure housing homeless people need basic items such as food, clothing and health care. The next phase includes services which build structure including transportation, treatment, advocacy and childcare. Eventually, as they are stabilized, these families and individuals need services which enable them to build skills to move along the continuum toward permanent housing and independent living. These usually include education, job training, housing search assistance, and case-management. Unfortunately, these efforts many not be enough. Training people for minimum wage jobs will not break the cycle of poverty and homelessness because minimum wage is not a livable wage.

The housing policies and programs undertaken by the Consortium support the goal of increasing self-sufficiency for individuals and families served. There are a number of informal efforts and specific programs underway. Some examples include:

1. King County coordinates and administers the Shelter Plus Care program which provides rental assistance combined with intensive support services designed to increase self-sufficiency and help homeless disabled people assimilate into the community. The Coordinating Committee includes social service agency representatives, clients and city and county staff.
2. King County Housing Authority's reorganization in 1998 to create a Resident Services Department with lead responsibility for implementing an aggressive response to welfare reform. This includes assisting residents in securing and retaining meaningful employment, especially focusing on those with significant obstacles such as language barriers, transportation, and child care issues. A pilot partnership with King County and the Housing Authority's White Center and Park Lake Homes programs are being implemented.

3. The King County Consortium's Housing Stability Project provides emergency grants and loans to help families avoid evictions and mortgage defaults and provides counseling and case management to help families address underlying causes of financial difficulties.
4. The King County Housing Authority's HOPE VI initiative proposes the creation of a mixed income housing project in White Center, an area where subsidized housing and poverty are over-concentrated compared to the rest of the County. This initiative proposes to re-distribute critically needed low-income housing units to other parts of the County and to offer Park Lake residents other housing choices and economic opportunities. As a component of the HOPE VI planning process, the KCHA will explore the feasibility of providing job opportunities for residents of Park Lake during the construction, and partnering with programs such as the King County Community Services Division's Youthbuild, to provide Park Lake/White Center youth with construction skills.
5. King County staff provides technical assistance to community organizations who are working to revitalize their communities and secure resources and services. King County continues to work with the North Highline Unincorporated Area Council ("NHUAC") on issues affecting White Center, such as the strategic planning process. Since the beginning of 2001, King County has also been working with the White Center Resident Leadership Council, a temporary body which was formed by King County for strategic planning purposes, comprised of residents of White Center and individuals who work in and around the area.

King County Jobs Initiative

King County's Office of Regional Policy and Planning is coordinating one major initiative which was begun in 1998 with the funding of a pilot project in the areas of SeaTac, Tukwila, White Center/Boulevard Park (North Highline) and Skyway (West Hill). This area was chosen due to its proximity to the manufacturing/wholesale distribution corridor paralleling Interstate 5, and because of existing health and human services and population characteristics. After review and evaluation of the program, future intent is to develop the King County Jobs Initiative through the balance of the County, outside the City of Seattle.

This initiative's intent is to serve low income families, with half of them being TANF recipients to obtain and keep jobs that pay at least \$8.00 per hour, ideally including health benefits. As a part of this strategy, social and community supports will be used to help people retain jobs. Implementation of this project is dependent upon partnerships with the State Department of Social and Health Services, Vocational Rehabilitation Services, Employment Security, King County Housing Authority, the Private Industry Council, community and technical colleges, the business community, labor organizations and community based organizations. Case management support and other support services arrangements such as child care, transportation, housing and ESL are built into the initiative.

Appendix I

HOUSING AND COMMUNITY DEVELOPMENT RESOURCES

There are a wide range of resources which Consortium members and participating nonprofits and housing authorities can access to address housing and community development needs in the King County. The resources, which are summarized below, are potential sources depending on the specific project.

Housing Related Resources

King County's Housing Repair Programs

The objectives of the King County Housing Repair Program are:

- To assist low- and moderate-income homeowners,
- To maintain their homes in the face of rising costs,
- To preserve King County's existing housing stock, and
- To preserve affordable housing -- owner-occupied and rental units.

A major priority of King County's CDBG program is to continue funding its countywide housing repair programs. King County's CDBG program funds a range of low interest or no interest loan and grant programs, tapping a variety of sources for loan funds in order to address the different needs of different people throughout the county. Low- and moderate-income homeowners can qualify for these programs.

Pass-through cities can directly benefit eligible property owners by contributing a portion of their CDBG funds to the King County Housing Repair Program. Each city may contribute as much, or as little, as they choose. Contributed funds are reserved to benefit homeowners in that specific pass-through jurisdiction. Housing repairs for residents of small cities and unincorporated King County are funded through contributions from the County and Small Cities Fund. For more information on the housing repair program within each jurisdiction, please call Kevin Chan, at (206) 296-8652.

Housing Repair Hotline (206) 296-7640

This service provides a central point of contact for King County residents who seek housing information and who wish to apply for one of the housing rehabilitation programs.

Housing Repair Grants & Loans (Owner-occupied)

This program provides both emergency grants of up to \$1,500 (\$2,700 for mobile homes) and deferred payment, zero-interest loans of up to \$13,500 to low-and moderate-income homeowners.

Priority is given to low-income homeowners and to critical repair needs necessary to protect health and safety.

Affordable Monthly Payment Loan (AMPL) (Owner-occupied)

This program provides housing repair loans at low interest rates which are affordable to moderate-income homeowners. Low rates are made possible by combining CDBG, or other federal funds, with a loan from a private lender.

King County funds up to one half of eligible cost with a no interest, deferred payment loan. Most home repairs are eligible. When repaid, the federal funds return to this program. The maximum amount of the County deferred payment loan is \$13,500.

3% Loan (Owner-occupied)

This program provides a grant to subsidize a 3% interest rate loan through a private lender and requires a monthly payment. The low rate is made available to low-and moderate-income borrowers who can qualify with the lender. Most home repairs are eligible. The maximum loan amount is \$33,500.

Rental Rehabilitation

Rental rehabilitation loans up to a maximum of \$14,999 per unit are available for investor-owners wishing to improve their existing affordable housing units. For more information, please call Matt Palek at (206) 296-8639.

King County Housing Stability Project

The King County Housing Stability Project provides emergency grants and loans to low- and moderate-income households at risk of losing their housing due to unexpected circumstances such as medical emergencies, loss of employment, or loss of income due to separation or divorce. The project assists households faced with a one-time emergency obtain the needed funds to stabilize their housing situation.

Renters and homeowners are eligible if they meet the following: residents of the King County CDBG Consortium (does not include residents of Auburn, Normandy Park and Seattle);

- Earn less than 80% of the area median income as determined by HUD;
- Have received an eviction notice or mortgage foreclosure notice;
- Have income more than twice the monthly value of their rent; and
- Have an emergency that puts them at risk of losing their housing and lack savings or adequate resources.

For more information about the project, please call the Community Information Line at (206) 461-3200.

King County Down Payment Assistance Program – the “Open Door” Loan Program

King County uses its local dollars in partnership with the Washington State Housing Finance Commission, Fannie Mae and several local banks to provide downpayment assistance.

King County Housing Authority Resources

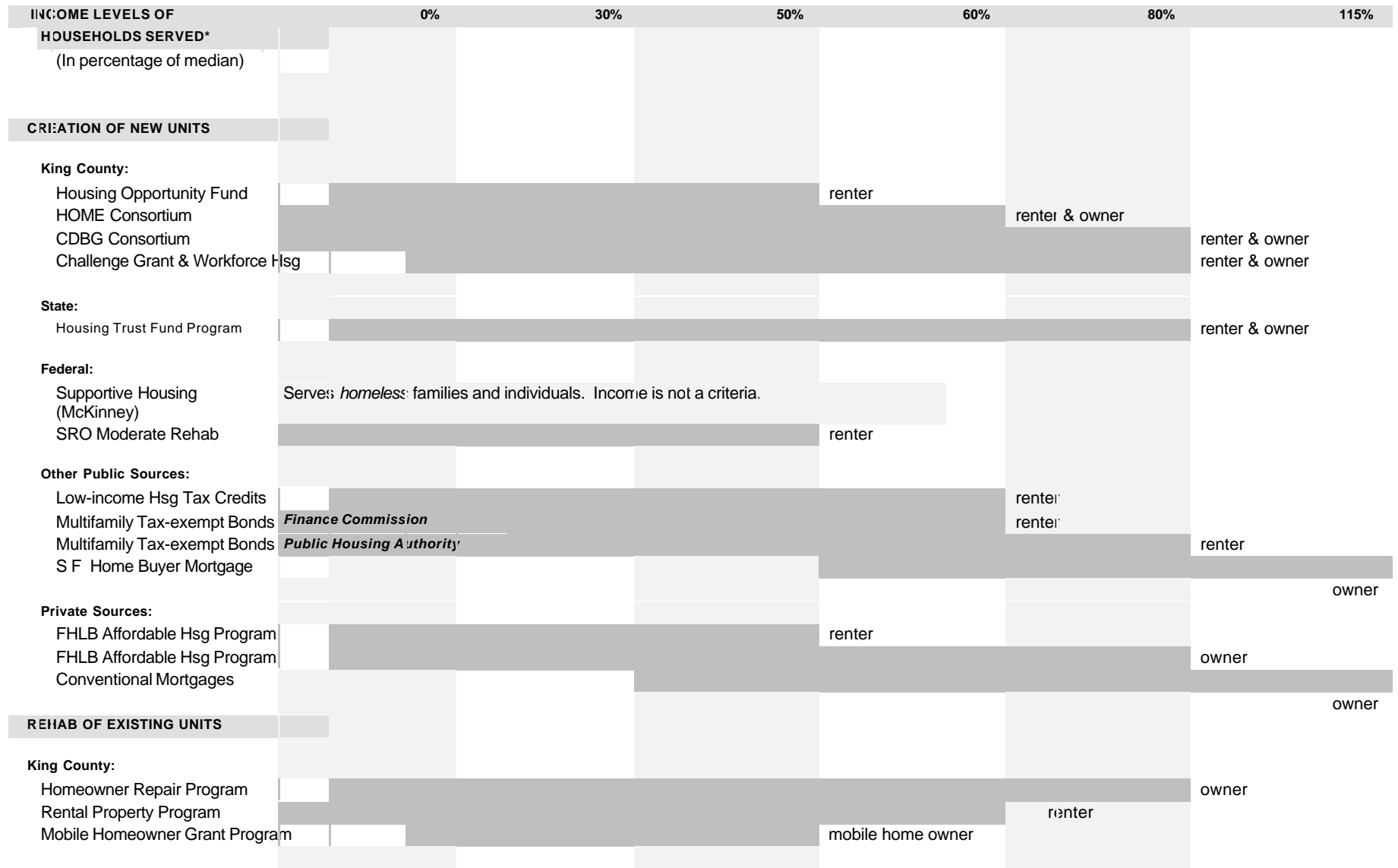
The King County Housing Authority will seek a diversity of funds for project development to meet a range of low- and moderate-income (at or below 80% of median) housing needs. This is particularly important given the virtual absence of public housing funding and targeting of Section 8 rental assistance. While KCHA will continue to apply for this Section 8 assistance, the agency will also package local, state and McKinney funds for programs to meet the needs of people who are homeless and those who have special needs. KCHA also plans to retrofit two senior buildings to provide congregate living to frail elderly. This program, as well as others, will require capital funding in addition to services funding and partnerships with service providers. In 2001, the KCHA is planning for a HOPE VI grant application to revitalize Park Lake Homes in White Center, a housing complex which KCHA has determined is severely distressed public housing. The grant would provide up to \$35 million and additional Section 8 vouchers for the project redevelopment.

Summary of Major Housing Development Capital Resources

Note: This summary is for review purposes only--refer to specific fund source documents for details.

Fund Source	Type of Housing	Eligible Beneficiaries	Eligible Income Level	Match Requirements	Award Amount	Terms of Award	Constraints	Other Conditions
King County HOF	Transitional & Permanent rental units	Homeless, special needs; & those at risk of displacement	Up to 50% of median income	HFP requires at least 1:1; need some funds from local jurisdiction if located in city	No limit	Deferred payment loan; restrictions on change of use for at least 35 years	Project must be located in King County	Won't pay relocation costs
Community Development Block Grant (CDBG) (includes Consortium cities)	Emergency, Transitional, & Permanent rental units & Home ownership	Very low & low-income households	Up to 80% of median income	HFP requires at least 1:1; need some funds from local jurisdiction if located in a Consortium city / Cities also require leverage	No limit	Deferred payment loan; restrictions on change of use for minimum of 20 years	Triggers use of Davis-Bacon wage reporting for construction, if 8 units or more, may trigger Section 3	Can be used for relocation
HOME	Transitional & Permanent rental units & Home Ownership	Very low- & low-income households	Up to 60% of median for rental with at least 20% of units at 50% of median; up to 80% for homeowner	HFP requires at least 1:1 (25% match required for all activities by HUD)	No limit	Deferred payment loan; restrictions on change of use for minimum of 20 years	Triggers use of Davis-Bacon wage reporting for construction; if 12 units or more, may trigger Section 3	Can be used for relocation
King County HOF Challenge Grant & Workforce Housing	Emergency, Transitional, Permanent rental units & Home ownership	Homeless, special needs, very low – and low-income households	Up to 80% of median income	HFP requires at least 1:1, city match required	No limit	Deferred payment loan; restrictions on change of use for 20+ years	Challenge grant requires minimum city contributions	
WA State Housing Trust Fund Program (HTF)	Emergency, Transitional, Permanent rental units & Home ownership	Low-income & special needs population	Up to 80% of median income	Rental: maximum is the greater of \$1 or 25% of total dev. cost up to \$2M Owner: \$500,000 maximum		Mostly loans; terms vary with project capacity to repay; some 0%, deferred	Competition for funds is considerable	Pays for no expenditures prior to signing contract
McKinney Programs: · Supportive Housing · Shelter + Care · SRO Mod Rehab · Emergency Shelter Grants	Capital, operating, and support service funds for many types of homeless programs (except emergency shelter) are available through the McKinney Homeless Assistance Continuum of Care Programs—Supportive Housing, Shelter Plus Care, and Single Room Occupancy Moderate Rehabilitation. Annually, the King County Consortium and the City of Seattle apply jointly to HUD on behalf of community organizations seeking these funds, with funding priorities determined through a local process. Potential applicants should be aware that this is an extremely competitive process, and that all or most the annual funds awarded support renewal grants for existing McKinney programs. Please consult with King County staff for more information.							
Federal Home Loan Bank (AHP)	Transitional, Permanent rental units & Home ownership	Low- & moderate-income households	Up to 80% of median income	No specific requirements	Open; \$5000 per unit has been typical	Direct subsidy or interest rate reduction	Considerable competition for funds	Application is through a FHLB member
Low Income Housing Tax Credits (LIHTC)	Permanent rental units	Low-income households	Up to 60% of median	Program designed to fill financing gap	Open	Use restrictions apply for 15 yrs. and may apply for an additional 25 yrs.	Complicated program; requires "taxable" partner; considerable accounting & attorneys fees	Project may be mixed income but LIHTC for under 60% of median units only
ARCH (A Regional Coalition for Housing)	Emergency, transitional & permanent rental, homeownership	Homeless, special needs, very low & low income, moderate income.	Up to 80% of median income	N/A	No limit	Grant, mostly loans' terms vary with capacity to repair	ARCH sphere of influence Eastside	

THE HOUSING CONTINUUM: Examples of Capital Fund Sources and The Income Levels of Households Served



*HUD (1999) defines extremely low income as 0 to 30% of median, low income as 31 to 50% of median, and moderate income as 51 to 80% of median.

Additional Housing Resources

Community Development Block Grant Float Loan.

Interim loan, secured by a bank line of credit, which can be used to secure properties at risk until permanent financing obtained. (see Appendix B, Policy 15.)

Emergency Shelter Assistance Program (ESAP)

Local service providers receive ESAP funds through the state to support emergency shelter and services to the homeless. Up to 30 percent of funds can be used for homeless prevention activities.

Federal Emergency Management Administration (FEMA)

The Emergency Food and Shelter National Board Program provides funds to supplement and expand programs for homeless people, including food, shelter, and services.

Federal Housing Administration (FHA)

FHA provides mortgage insurance for owner occupied housing with up to four units. Some insurance is available with lower downpayments.

Federal National Mortgage Association (FannieMae)

FannieMae provides a secondary market for mortgages which expands the availability of funds for mortgage lenders. FannieMae offers various programs which make it easier for purchasers of owner occupied housing to qualify for mortgages.

Federal Surplus Property for the Homeless

Rent-free, suitable Federal properties that are leased to homeless organizations. These organizations must pay operating and any rehabilitation and/or renovation costs.

Housing Opportunities for Persons with AIDS

Funds are awarded by formula based on the number of cases of AIDS. Funds may be used to provide housing assistance or services for persons with AIDS.

HUD Homes

HUD homes are foreclosed private residences that have been repossessed by HUD. The homes may be acquired by lease or direct sale for use by the homeless.

HUD Public Housing Comprehensive Grant

Funds can be used for rehabilitation and planning for improvements to public housing.

King County General Funds Revenues Allocated to Housing and Related Services

King County provides general funds revenue for a variety of special housing related projects. These range from capital funds for the acquisition of emergency shelters to operating funds for several emergency and transitional housing programs. King County also funds two housing counseling programs and a housing advocacy and education program.

Local Initiatives Support Corporation (LISC)

LISC uses a private sector board to raise corporate funds to help stimulate low-income housing. Activities include technical assistance, organizational training, and administration of a predevelopment revolving loan fund.

Local Foundations/Corporations

The local corporate community has traditionally provided some level of support for emergency shelter operating costs and other community development activities.

Private Lenders

Private financial institutions, in compliance with Community Reinvestment requirements, provide loans to households in low-income communities.

Safe Havens Demonstration Program

Grants to provide extremely low-income housing for homeless persons with serious mental illnesses. Funds can be used for new construction, acquisition, rehabilitation, leasing assistance, low-demand support services, outreach activities and operating costs.

Suburban Cities Local General Funds and CDBG Pass-through Funds

Several local jurisdictions have established housing trust funds using local funds such as Bellevue and Redmond. Other cities such as Kent and Renton have sold bonds to finance senior housing; while others such as Issaquah and Kirkland have donated land for housing projects. CDBG capital funding is also available directly from suburban cities which receive a pass-through of CDBG funds and from ARCH which combines city CDBG and general funds for affordable housing.

Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)

The SAFAH program provides grants for facilities to house and provide support services for the homeless.

Supportive Housing for the Elderly (Section 202)

Provides capital advances and project rental assistance to nonprofit sponsors that may be used to finance the construction or rehabilitation of rental or cooperative structures for the elderly. Funds may be used for acquisition, rehabilitation, new construction, rental assistance and support services.

Supportive Housing for Persons with Disabilities (Section 811)

Funding to expand housing with supportive services for group homes, independent living facilities and intermediate care facilities. Financing includes capital advances and project rental assistance.

United States Department of Agriculture Programs.

These include rehabilitation and home ownership in rural areas of King County.

Section 502	Single family mortgages
Section 515	Multifamily mortgages
Section 523	Self help housing technical assistance grants
Section 504	Low interest rehabilitation loans for owner occupied housing
Section HPG	Direct funds to King County for single family rehab loans

United Way of Seattle/King County

United Way of Seattle/King County provides operating funds for emergency shelter, transitional housing, and support services to special needs groups, and other social and health services.

Weatherization/Energy Matchmaker Program

The King County Housing Authority uses a combination of public and private funds to provide weatherization for single and multifamily dwellings for low-income owners and renters.

Non-Housing Community Development Resources

In addition to the Consortium's annual CDBG entitlement, the programs described below provide funding to address several of the Consortium's non-housing community development needs.

King County Resources

Children and Family Commission

The Children and Family Commission allocates funds for community-based family support initiatives to address teen pregnancy prevention, youth violence, child abuse, cultural barriers, and other needs of families.

Department of Community and Human Services

The King County Department of Community and Human Services has service responsibility for the areas of mental health, substance abuse, domestic violence, sexual assault, seniors, veterans, work training, youth and families, public defense, substance abuse prevention, and developmental disabilities. Funds are used for a variety of programs and services including senior centers, mental health agencies, youth shelters, domestic abuse shelters, substance abuse treatment and detoxification center.

Department of Natural Resources

The Department of Natural Resources has service responsibility for solid waste and surface water management facilities and services in unincorporated King County. The Department has developed a Capital Improvement Plan which identifies priority projects to be implemented for a six year period with financing plans.

Department of Public Safety

The King County Department of Public Safety is primarily responsible for public safety of unincorporated King County. The Department also provides community policing, crime prevention services, and community education around issues such as substance abuse and gang prevention. The Department is involved with other social service systems such as domestic violence and mental health.

Economic Development Program

The King County Economic Development Program offers low interest, short term Community Development Interim Loans which are secured by an irrevocable letter of credit to CDBG eligible capital projects. For more information, see Appendix B, Policy 15.

Office of Cultural Resources

The King County Office of Cultural Resources provides programs and services for the arts and historical preservation. The Office maintains a list of properties of historic or architectural significance which are potentially eligible for County Landmark designation.

Office of Civil Rights Enforcement

The King County Office of Civil Rights Enforcement is responsible for ensuring fair employment, fair housing and compliance with Section 504 of the Civil Rights Act of 1964 and the Americans with Disabilities Act of 1990.

Recreation and Aquatics Division

The King County Recreation and Aquatics Division is responsible for planning and operating the King County parks system and managing countywide recreation and aquatics program. The Division has developed a ten year Capital Improvements Plan which identifies priority projects and a finance plan.

Seattle-King County Department of Public Health

The health department has service responsibility for public health services and education, including AIDS.

Other Resources

Centennial Clean Water Fund

The Washington State Centennial Clean Water Fund is a grant program limited almost exclusively to water resource protection, not the provision of drinking water. Therefore, this fund can only be used for wastewater projects. But even for wastewater, approximately half of the costs must be paid for locally. A companion program, the State Revolving Fund, offers low interest loans under guidelines similar to, but less restrictive than, the Centennial Clean Water Fund.

Drinking Water State Revolving Fund

The Washington Drinking Water State Revolving Fund offers loans to small water systems state-wide that might not qualify for Public Works Trust Fund assistance.

Local Foundations/Corporations

The local corporate community has provided some level of support for operating costs, construction, and equipment purchases for nonprofit agencies.

Public Works Trust Fund

The Washington State Public Works Trust Fund offers loans and some grants to incorporated communities and public utility districts. PWTF financing is further limited to repairs of existing facilities, not new construction.

Rural Utilities Services (formerly Farmers Home Administration) Program

Financing is available for water and sewer projects in rural areas of King County.

Seattle-King County Aging and Disability Services

This agency receives federal, state and local funds for a number of services for income eligible seniors designed to help them stay in their homes including chore services, home health care, and home delivered meals.

Suburban Cities Local General Funds

Suburban cities also use general funds to support a variety of human services—aging, emergency/transitional shelter, domestic violence, mental health, substance abuse, child care, youth services, etc.

United Way of Seattle/King County

United Way of Seattle/King County provides operating funds for day care, youth services, and other health and human services.

Appendix J

Affordable Housing Incentives

A. Unincorporated King County

In addition to direct funding, King County uses a variety of programs to encourage the construction of new housing that is affordable to low-income households. This section provides policies governing eligibility for land use incentives programs for affordable housing adopted in the King County Zoning Code and mitigation fee ordinances.

The following programs are currently available and are covered by these policies:

Road fee exemptions. The roads Mitigation Payment System allows for a fee waiver for housing developed by public and nonprofit agencies, and a fee reduction for private for-profit developments that set aside certain units for low- and moderate-income buyers or renters. Developers of housing projects that receive a waiver or reduction of the road MPS fee must ensure that the housing remains affordable for at least 15 years. The MPS program also allows fee waivers for individually built or sited homes that are sold or constructed at an affordable price for ownership by a low- or moderate-income household.

Density bonuses. The Zoning Code contains affordable housing density bonuses for rental housing, home ownership developments, senior assisted housing and mobile home parks that accept displaced homes. Developments providing affordable housing may increase the number of dwelling units on the site by 150 percent of the base density permitted by zoning where there is a mix of low-income units in the project, and up to 200 percent of the base density permitted by zoning if 100 percent of the units are affordable..

School fee exemptions. Similar to the roads fee program, the ordinance establishing mitigation fees for schools allows fee waivers and reductions for affordable housing. Housing developed for low- and moderate-income buyers or renters must remain affordable for 15 years. Waivers are also allowed for individually built or sited homes bought by low- or moderate-income households at an affordable price, however, if the home is sold within 10 years to a non-eligible household, the fee must be paid to the school district.

For each of these programs, general eligibility criteria have been established in the ordinance; additional procedures are contained in administrative rules for each program. The following policies are intended to guide development of administrative rules and operations of the programs.

Policy 1: The affordable housing density bonuses and fee exemptions may be used by developments also receiving financial subsidies, such as loans or grants from the State Housing Trust Fund, King County Consortium CDBG or HOME funds, King County Housing Opportunity Fund or low-interest mortgages through the Washington State Housing Finance

Commission. For such projects the eligibility criteria established by the funding source or sources should take precedence. Any project that meets or exceeds the policies below should be eligible for density bonuses and fee exemptions.

Policy 2: Rental housing programs eligible for density bonuses or fee exemptions shall serve households with incomes at or below 50 percent of the Countywide median household income, adjusted for household size. Rents shall not exceed 30 percent of the monthly household income, based on the size of the household and housing unit size.

Policy 3: Ownership programs eligible for density bonuses or fee exemptions shall serve households with incomes at or below 80 percent of the Countywide median household income, adjusted for household size. Total household assets shall be no greater than \$30,000, excluding personal property such as furniture and car; exemptions may be granted under extenuating circumstances. House value shall not exceed an amount, which is affordable to a household at 80 percent of median income, based on standard lending criteria, and prevailing interest rates. The house must be the purchasing household's primary residence.

Policy 4: When long term affordability is addressed by ordinance, the housing should remain affordable for at least 10 years, unless subject to a longer term per the applicable ordinance. Where long term affordability is required, a covenant, deed restriction or other contractual arrangement shall be recorded to establish the ongoing affordability requirements and set the monitoring procedures. Household incomes, house prices and rental rates shall be adjusted annually by King County to support long term affordability requirements. Affordable ownership units created by incentives that require long term affordability shall require resale to income-eligible purchasers and/or recapture of subsidy to finance future housing programs.

**B. Other Examples of Consortium City Incentives for Affordable Housing
(Please contact individual cities for information)**

- Density bonuses for senior housing
- Density bonuses for affordable housing in general developments
- Waiver for traffic impact fees for affordability
- Minimum lot size calculations that promotes maximum number of units
- Manufactured housing and accessory dwelling units are allowed throughout some cities

Appendix K

Summary of Public Comments

The draft Consolidated Housing and Community Development Plan for 2000-2003 was available for public comment beginning in July. The draft Plan was mailed to over 150 organizations. Staff made presentations of the Plan to various housing and community development organizations soliciting their comments. A public meeting was also held July 27 on Mercer Island.

Public comments were due to King County by August 6, 1999. Based on those comments, a second draft of the Plan was available for public comment in August. The Joint Recommendations Committee reviewed and endorsed the Plan at their August 18 meeting.

The Metropolitan King County Council held a public hearing on the draft Plan at their Housing and Policy Committee on September 15. Two cities and a non-profit housing organization provided public testimony on the plan. The Council adopted the Plan on September 20, 1999.

Overall Comments on the Plan

A concern raised that the plan focused primarily on the national objective of benefit to low- and moderate-income persons and did not mention the other two objectives of elimination of slum or blight and urgent need. The Plan was amended to include the other two national objectives.

Various comments were made on improving the format of the document. The Plan was revised based on those comments, including the addition of a list of tables and figures and a glossary.

Section I. Introduction

A comment was made on the need to clarify how CDBG funds are distributed to the cities in the Consortium. Under C. Structure and Governance of the King County Consortium a description of the process was added along with pie charts of the distribution of funds.

Section II. Housing and Homeless Needs Assessment

A concern was raised with the statement the elderly low-income renters were the most cost burdened related to housing. The writer felt that this did not take into consideration the fact that the low-income elderly may have greater assets than other populations and thus not be the most cost burdened. The Plan was not revised because there was no data to substantiate that low-income elderly renters have greater assets than other populations.

A concern was raised that households whose sole income was SSI was not mentioned a population with the greatest need for housing assistance. The Plan was amended to include this population under B.7. Summary of Characteristics of Households with the Greatest Need for Housing Assistance.

A comment was made that the number of persons with developmental disabilities in King County was incorrect. The Plan was amended with this correction under F.6. Persons with Developmental Disabilities.

A comment was made that the statement that 2 out of every 1000 rental units are affordable to persons with development disabilities was incorrect. The Plan was amended to remove that statement.

Section III. Assisted Housing Inventory

A comment was that the number of total assisted units and buildings managed by the Renton Housing Authority were incorrect. The Plan was amended with the correct information.

A comment was made that we should include a list of project-based Section 8 properties; a current list is available upon request to the Housing & Community Development Program.

Section IV. Housing Market Analysis

A concern was raised regarding the sub-regions used for the Housing Affordability Study. A few of the cities were included in sub-regions which did not match their geographic location. A footnote was added to explain that the sub-regions were used by the marketing organization who did the study and could not be changed.

Section V. Affordable Housing Policy Direction

A request was made to clarify that the public notification of a proposed housing project be initiated before site selection. The change was not made in the Plan because there was extensive public comment in the Housing Strategy Team meetings and during review of the draft Plan that the County not change its voluntary notification process.

Concerns were raised about Site Level Criteria #2 in C. Location and Siting Policies which stated that new housing development located near existing large publicly funded housing would not be approved in order to promote increased housing opportunities and choices for low-income residents. Cities located in East King County wanted flexibility and discretion for selecting locations appropriate for affordable housing. The text was revised to state that housing development located near existing large publicly funded housing would be discouraged, unless supported by the local jurisdiction. Definitions were also added to clarify close proximity (within one-quarter mile) and large publicly funded housing (200 units or more).

Concerns were raised about Site Level Criteria #4 in C. Location and Siting Policies which stated that proposals must be free of environmental issues that significantly increase project cost and/or risk. Again, the criteria was viewed as too limiting. The text was revised to state that proposals must adequately address environmental issues and sites where environmental issues would increase cost or risk would be discouraged.

Section VI. Strategic Plan, B. Objectives for Decent, Affordable Housing

A comment was made that the proposed accomplishments under Housing Objective #2 of developing or preserving 60 units for special needs housing of the total 700 was too low. The accomplishments were changed to state "... at least 60 units per year will be targeted to people with special needs." A majority of the 700 units are home repair, not new housing development so at least 60 units is a significant target for the Consortium. Also, the development of new housing units for people with special needs is hampered by the lack of operating and support services funding for programs needed to support those units.

A comment was made that there was no mention of the eligible use of HOME funds for "free-standing rental assistance." The HOME Consortium does not currently use HOME funds for tenant-based rental assistance. The Plan was amended to add as an activity, "...exploring the feasibility of using a portion of HOME funds to tenant-based rental assistance" under Housing Objective #2.

A concern was raised about the priority ranking for domestic violence in Table 6 Homeless Continuum of Care Gaps Analysis under Housing Objective #3. Providers requested that the need for housing and supportive services for domestic violence victims and their families be elevated from medium to high.

The ranking was not changed in the Plan because, per HUD instructions, Table 6 must match the Homeless Gaps Analysis table submitted with the annual McKinney Homelessness Assistance grant application for 1999. The table is updated annually and priorities change from year to year depending which programs are up for renewal and other factors. Domestic violence has been a high priority in earlier grant applications and several new programs were funded. Domestic violence may again be a high priority in future years. The table does not represent the overall level of need but instead shows the priority for type of service for that year's McKinney application.

A comment was made to add preservation of mobile home parks as an activity to preserve affordable housing. Preservation of mobile home parks at-risk of loss due to redevelopment was added as an activity under Housing Objective #4.

Section VI. Strategic Plan, C. Objectives for Suitable Living Environment

A comment was made that provision of food and other essential grocery products can help families and individuals with homelessness. Text was added to Community Objective #3, Basic Needs Services that food banks can assist families and individuals prevent homelessness.

Section VI. Strategic Plan, D. Objectives for Expanded Economic Opportunities

A concern was raised that the economic development activities identified in the plan were limited to assistance to for-profit businesses and did not include other eligible economic development activities. The Plan was amended to include other eligible economic development activities.

A concern was raised that Section 108 and CDIL loans would not be used to eliminate slum or blight. The Plan was amended to state that the priority for those loan funds would be to create jobs for low- and moderate-income persons.

Appendices

Comments were made to clarify the substantial change process described in Appendix A. Citizen Participation Plan. It was not clear what constituted a substantial change or an amendment and the specific activities which needed to occur as part of the citizen participation process. The text was revised to address those comments.

A comment was made that the HOME policy listed in Appendix C. HOME Program Policies and Requirements which allows CHODOS to receive operating funds only once should be changed to allow for additional requests. The HOME Working Group will consider this request in the fall.

Comments were made to add other County and non-profit resources under the housing resources. The additional resources were added under Appendix I. Housing and Community Development Resources.

Public Hearing

Staff from the Cities of Auburn and Federal Way and the YWCA of Seattle, King County and Snohomish County provided testimony at the September 15, 1999 Housing Policy Committee of the Metropolitan King County on the Consolidated Plan. The cities staff were involved in the development of the Plan and were pleased with the working relationship they have with the County. The City of Federal Way stated that they chose to remain a part of the CDBG Consortium instead of being a separate CDBG entitlement because of the staff support provided by the County.

The YWCA manages emergency shelters and transitional housing for victims of domestic violence in south King County. Staff from the South King County office stated that the homeless families and individuals they serve are needing permanent, affordable rental units and encouraged the County to continue to support those programs as well as support initiatives for homeownership for low-income families and individuals.

Definitions/Glossary

Some terms and processes are unique to the King County Housing and Community Development Program. These are defined below.

Annual Action Plan: One Year Use of Funds - The Annual Action Plan contains the Executive proposed County and Small Cities Community Development Block Grant (CDBG) projects, the individual Council-adopted Pass-through Cities CDBG projects, and proposed use of Home Investment Partnerships Program (HOME) and Emergency Shelter Grant (ESG) funds. The Metropolitan King County Council will hold a public hearing on the Executive proposed programs and will adopt the housing and community development programs, including Pass-through Cities' projects as part of the County budget. The Annual Action Plan is submitted to the Department of Housing and Urban Development as part of the annual application for federal funds by November 15th.

Carryover Ordinance - This ordinance is prepared at the time of the Grantee Performance Report and identifies projects which are being carried over (extended for another year) and which projects are being canceled.

Citizen Participation - Federal CDBG regulations require that citizens, especially those from low- and moderate-income (at or below 80% of area median income) communities, be given many opportunities to examine and appraise the Consortium's use of CDBG funds. King County and the Consortium Cities, in compliance with the regulations, afford citizens a full range of opportunities for participation in the CDBG program. Citizen participation opportunities are listed in Appendix A.

Community Development Interim Loan (CDIL) Program - The CDIL program loans CDBG funds which have been allocated to projects which have not gone under contract to businesses and other eligible recipients on a short-term interim basis. The program income generated from the loan repayments are used to fund additional CDBG projects.

Consortium-wide - This term refers to the county as a whole excluding Auburn, Bellevue, Normandy Park and Seattle for the CDBG Program and excluding Normandy Park and Seattle for the HOME and Emergency Shelter Grant Programs.

Consolidated Annual Performance and Evaluation Report (CAPER) - This report describes the activities undertaken by the King County Consortium to meet the goals and objectives of the CDBG, HOME and ESG programs. The report provides the status of all active projects which expended funds in the prior year.

County and Small Cities Fund - CDBG funds which are administered by King County to support activities which benefit the low and moderate-income residents of unincorporated King County and the smaller suburban cities which do not qualify to receive a direct "pass-through" of CDBG funds. The small cities include: Algona, Beaux Arts, Black Diamond, Carnation, Clyde Hill, Duvall, Hunts Point, Kenmore, Maple Valley, Medina, Newcastle, North Bend, Pacific, Skykomish, Snoqualmie, Woodinville, and Yarrow Point

Displacement/Relocation - This occurs when persons lose their homes or businesses lose their office space because the property they were occupying has been acquired or will be rehabilitated with CDBG or HOME funds for another eligible purpose. Persons or businesses displaced due to a CDBG or HOME funded project may be eligible to receive compensation which is described in Appendix D.

Elderly – Person who is at least 62 years of age.

Extremely Low-Income – Families whose income do not exceed 30% of the median family income for the area, as determined annually by the U.S. Department of Housing and Urban Development. In 1999, the income limit for an extremely low- income family of three was \$16,900.

Implementing Agency - The legally responsible agency for executing a project.

Joint Recommendations Committee (JRC) - The committee is comprised of five suburban city representatives (elected officials or department directors) and four county representatives (Unincorporated Area Council members or department directors). The JRC provides overall guidance to the King County CDBG and HOME Consortia. (See Chapter 1, Section C, Structure and Governance of the Consortium).

Large Related Family – Households of more than four persons where at least one person is related to the householder by blood, marriage or adoption.

Low-Income – Families whose income do not exceed 50% of the median family income for the area, as determined annually by the U.S. Department of Housing and Urban Development. In 1999, the income limit for a low- income family of three was \$28,100.

Moderate-Income - Families whose incomes do not exceed 80 % of the median family income for the area, as determined annually by the U.S. Department of Housing and Urban Development. In 1999, the income limit for a moderate-income family of three was \$43,000.

Other Households – Households which do not meet the definition of small related, large related or elderly and consist of single persons or unrelated individuals living together.

Pass-through Cities - These are suburban cities which are eligible to receive a direct share or "pass-through" of the Consortium's CDBG funds based on their percentage of the Consortium's low and moderate-income population. The cities allocate their share of CDBG funds to eligible projects based on local needs. The Pass-through Cities are: Bothell, Burien, Covington, Des Moines, Enumclaw, Federal Way, Kent, Kirkland, Issaquah, Lake Forest Park, Mercer Island, Redmond, Renton, SeaTac, Shoreline, and Tukwila.

Small Related Family - Households of two to four persons where at least one person is related to the householder by blood, marriage or adoption.

Substantial Change - Changing the amount budgeted for a CDBG or HOME project by more than 10% (approximately \$700,000 or more), plus or minus (unless the minus is due merely to an underrun or cancellation) of the respective annual entitlements. All substantial changes are approved by the jurisdiction who awarded the funds and King County before changes are submitted to the U. S. Department of Housing and Urban Development (HUD).